TR Property Investment Trust Ordinary Shares

July 2013

Manager commentary
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Alban Lhonneur

The weakness across virtually all equity markets in June was a continuation of the feared (or imagined?) consequences of possible monetary tightening by the Fed. It is interesting to note that the S&P 500 was down only -3.7% from its recent peak of 21st May as investors back the expectation of a US recovery alongside the monetary tightening. However the potential impact of tightening yields within a far weaker European context has been viewed much more negatively. The FTSE 100 fell -9.3% since the recent peak (21st May) and -5.6% in the month, whilst the fund's benchmark, FTSE EPRA/NAREIT Developed Europe Capped Index Total Return (in GBP) fell -5.9% in the month slightly underperforming the broader market. Real estate stocks have become increasingly popular over the last two years partially because of their perceived 'bond like' characteristics offering steady income which is significantly higher than that offered by BBB corporate bonds. We maintain the view that in addition to this yield differential there is the opportunity for rental growth (in a number of sub-markets across Europe) together with the possibility of property development gains (from certain portfolios) which adds to the attractiveness of the asset class today. This sell off from 21st May to the end of June reached -10.6% for our benchmark and now provides us with an investment opportunity.

Looking back over the month Continental Europe underperformed the UK with the former down -6.9% and the UK falling -4.3%. Geographically the major losers were Austria (-9.3%), France (-10.2%) and Italy (-10.2%). It is worthy of note that the Italian property companies are up 14% year to date even after this correction. They are an example of stocks which have been a beneficiary of the tightening in peripheral European bond yields which came to an abrupt halt in mid May.

The NAV fell -6.0% slightly underperforming the benchmark (-5.9%). Relative performance was aided by our overweights in French offices together with our underweight to UK large caps, Swiss and Belgian stocks. The surprise was Switzerland which traditionally outperforms when the Eurozone weakens – but not this month. Our performance suffered from the overweight to UK smaller companies, (particularly St Modwen and Max Property) and our European shopping centres exposure (which has been steadily falling).

The Trust's AGM will be held at 12 noon on 23rd July at the Royal Automobile Club, London SW1. All shareholders are welcome.

Cumulative performance as at 28.06.2013 (%)

	Current month	YTD	1 year	2 years
Fund (Total Return)	-6.03	7.66	24.43	5.24
Benchmark	-5.89	5.98	20.63	1.42

Benchmark : FTSE EPRA/NAREIT Capped Total Return GBP

Standardised performance as at 28.06.2013 (%)

	2010/ 2011	2011/ 2012	2012/ 2013
Fund (Total Return)	-	-15.42%	24.43%
Benchmark	-	-15.92%	20.63%

Figures are based on capital only NAVs. Source: State Street.

Sector allocation (%)

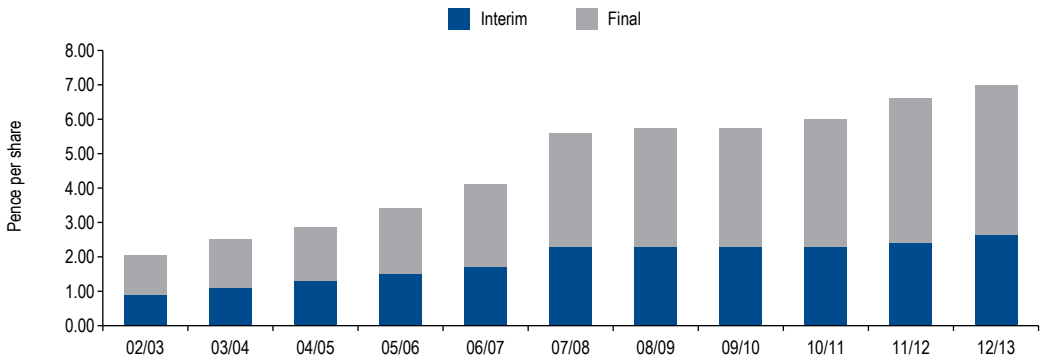
Industrial	7.8
Offices	35.7
Other	6.0
Residential	14.2
Retail	36.3
TOTAL	**100.0**

Asset allocation (%)

UK Shares	39.3
UK Direct Property	7.5
Continental Shares	53.2
Total	**100.0**

Figures above shown on a look-through basis.

Dividend history



Source: State Street

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): £687.0mn

Net gearing: 11.3%

NAV frequency: Daily

Legal status: UK Investment Trust

Listing: London Stock Exchange

Dividends: January, July

Initial charge: Nil

Management fee: £2.75m p.a 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)	216.50p
Share price	190.00p
Discount	-12.24%
Yield	3.70%

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. Where investments are made in emerging markets, unquoted securities or smaller companies their potential volatility may increase the risk to the value of, and the income form, the investment.
If markets fall, gearing can magnify the negative impact on performance.

See through geographical allocation (%)	
Austria	2.6
Belgium	1.6
Central Europe	1.8
Denmark	0.1
Finland	1.6
France	18.8
Germany	13.8
Greece	0.0
Ireland	0.0
Italy	3.8
Netherlands	1.9
Norway	1.8
Other Overseas	0.3
Portugal	0.1
Russia	0.1
Spain	1.4
Sweden	10.8
Switzerland	3.6
UK	35.7
USA	0.1
TOTAL	**100.0**

Top holdings (%)	
UNIBAIL-RODAMCO	10.2
LAND SECURITIES	7.3
HAMMERSON	4.9
BRITISH LAND	4.5
GREAT PORTLAND ESTATES	4.1
DERWENT LONDON	2.9
KLEPIERRE	2.7
LEG IMMOBILIEN	2.6
PSP SWISS PROPERTY	2.5
ST MODWEN PROPERTIES	2.4

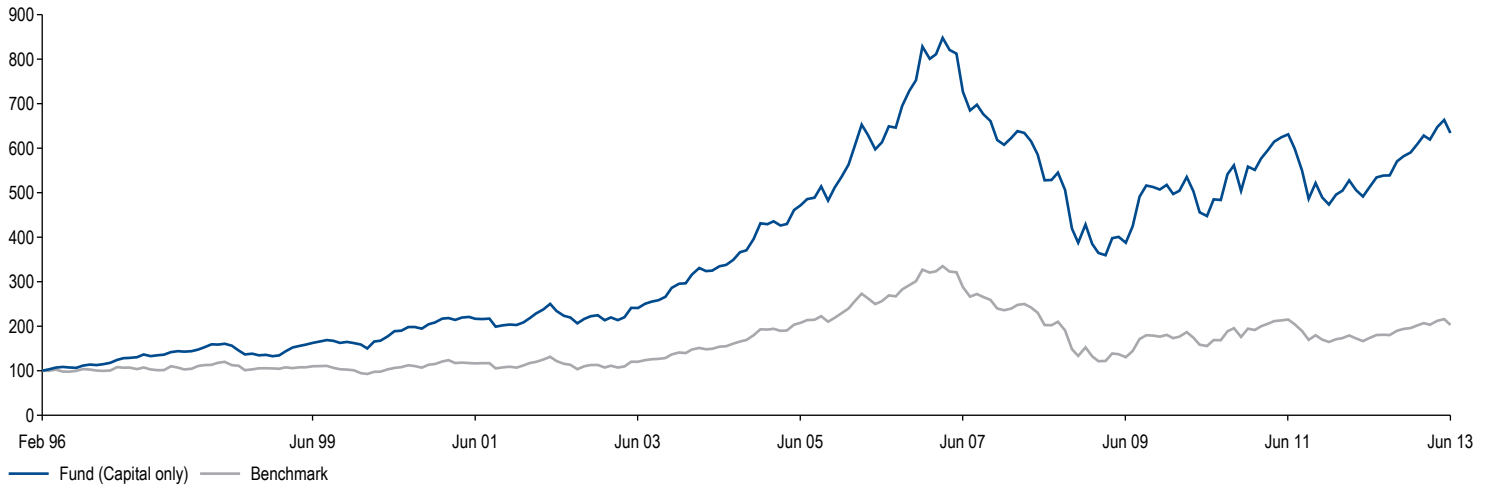
Fund performance to 28.06.2013 (%)

	Current month	YTD	1 year	3 years	5 years
Fund (Capital only)	-6.70	4.86	20.86	38.30	17.25
Benchmark	-6.17	3.39	16.73	30.30	-0.06
Share price	-7.94	9.83	28.38	36.79	23.58

Benchmark : 100.0% FTSE EPRA Europe Cap GBP

Price is month-end mid price. Source: State Street.

Fund performance



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