TR Property Investment Trust Ordinary Shares

June 2013

The reflationary trade which followed the Bank of Japan's surprise announcements in April continued into May, providing further support to asset classes such as real estate which offer income yields comfortably ahead of fixed income / bond yields, which are (in the main) inflation linked through annual indexation. The benchmark, FTSE EPRA/NAREIT Developed Europe Capped Index Total Return (in GBP) rose a staggering 7.8% from 1 May to 20 May, which brought the financial year-to-date (31March to 20 May) to 13.7%. Too fast, too furious? From 21 May to the end of the month the index fell 5% as investors moved on from events in Tokyo to signs of real economic improvement in the US and began factoring in the impact of possible monetary tightening by the Fed.

Markets were led, firstly upwards in a continuous movement and then downwards in an equally straight line by macro events. What is happening on the ground in terms of European real estate values and underlying economic conditions appeared to matter little in these strongly momentum driven markets. Whilst the Fund outperformed the benchmark during the month by 70bps – it began to underperform in the last few days of the month as investors sold the best performers of the previous quarter – principally the London centric names and Unibail, Europe's largest property company which stands on a significant premium valuation to the other pan-European shopping centre companies. Unibail was amongst the weakest performers (-2%) in the month.

Germany remains popular with investors with strong performance from the largest residential owner, Deutsche Wohnen which rose 9.5% in the month. The strongest performance was from Prime Office, a small owner of office property which has failed to deliver since its IPO and is now being courted by a large private equity shareholder, Oaktree. The stock rose 32% in the month.

The Italian companies also performed well (+5.1% for Beni Stabili) which was surprising given the backdrop of rising sovereign bond yields. However, the stock still trades at a 40%+ discount to its NAV and we maintain our overweight position.

In the UK, those businesses with residential development exposure performed well as house price data and the UK government's policy stimulus in this area fed through into pricing. Capital &Counties (site at Earls Court) rose 6.6%, Quintain (sites as at Wembley & Greeenwich) 15.8%, St Modwen (large land bank across the UK) 7.7% and the only pure residential investor Grainger rose 13.6%.

The Trust announced its preliminary results for the year to March 2013 on 24 May and a final dividend of 4.35p, bringing the total to 7.0p, a 6.1% increase on the previous year. The revenue outlook in the Chairman's Statement highlighted our expectation that earnings would exceed 7.5p in the year to March 2014.

Cumulative performance as at 31.05.2013 (%)

	Current month	YTD	1 year	2 years
Fund (Total Return)	+3.06	+14.57	+38.35	+13.45
Benchmark	+2.38	+12.61	+34.12	+9.26

Benchmark : FTSE EPRA/NAREIT Capped Total Return GBP

Standardised performance as at 31.05.2013 (%)

	2010/ 2011	2011/ 2012	2012/ 2013
Fund (Total Return)	-	-17.99%	+38.35%
Benchmark	-	-18.54%	+34.12%

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

Sector allocation (%)

Industrial	7.8
Offices	36.1
Other	5.9
Residential	14.4
Retail	35.7
TOTAL	**100.0**

Asset allocation (%)

UK Shares	37.6
UK Direct Property	6.9
Continental Shares	55.5
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): £800.0mn

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

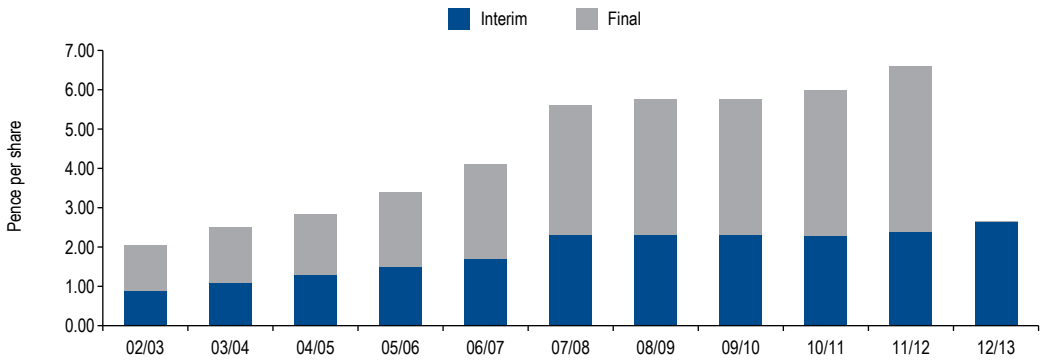
Administrator: BNP Paribas

Email: www.trproperty.com

Registrar: Computershare Investor Services plc

NAV per share (Total Return)	235.09p
Share price	206.40p
Discount	12.20%
Yield	3.30%

Dividend history



Source: State Street

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	2.2
Central Europe	1.8
Denmark	0.1
Finland	1.6
France	18.5
Germany	13.7
Greece	0.0
Ireland	0.0
Italy	4.2
Netherlands	2.1
Norway	1.8
Other Overseas	0.3
Portugal	0.1
Russia	0.1
Spain	1.4
Sweden	10.4
Switzerland	3.7
UK	35.3
USA	0.1
TOTAL	**100.0**

Top holdings (%)	
UNIBAIL-RODAMCO	9.9
LAND SECURITIES	7.2
HAMMERSON	4.8
BRITISH LAND	4.6
GREAT PORTLAND ESTATES	4.0
KLEPIERRE	2.8
DERWENT LONDON	2.8
PSP SWISS PROPERTY	2.5
LEG IMMOBILIEN	2.4
ST MODWEN PROPERTIES	2.4

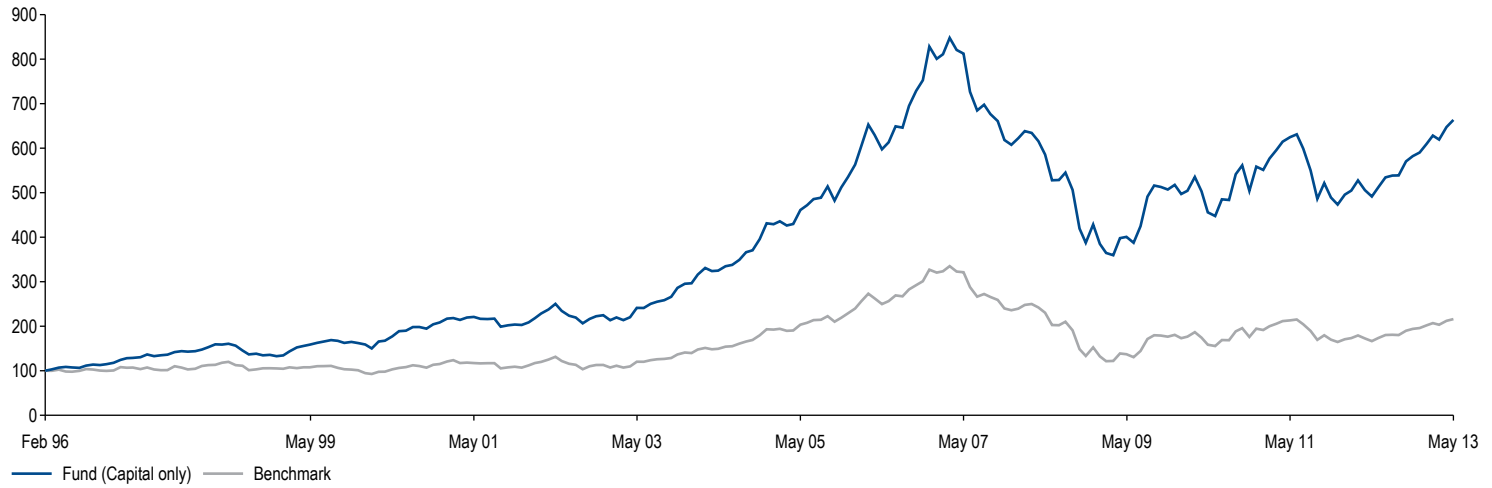
Fund performance to 31.05.2013 (%)

	Current month	YTD	1 year	3 years	5 years
Fund (Capital only)	+2.49	+12.39	+35.02	+45.55	+13.28
Benchmark	+1.80	+10.19	+29.66	+36.24	-6.25
Share price	+5.04	+19.31	+43.23	+40.22	+22.67

Benchmark : 100.0% FTSE EPRA Europe Cap GBP

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

Fund performance



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