TR Property Investment Trust Ordinary Shares

October 2013

Manager commentary
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Real estate stocks enjoyed a more upbeat month after the torrid performance in August with the benchmark index (FTSE EPRA/NAREIT Developed Europe Net Total Return in GBP) rising +2.7% in the month. Unlike August when it underperformed broader European equities; September saw the sector keep up with the Euro Stoxx 600 Index rising 2.5% (when measured in GBP) and +4.5% when measured in EUR. Currencies clearly made a difference and GBP has now strengthened +4.6% versus EUR since the end of July (including 2% in August). The month was always set to be dominated by the keenly awaited Federal Reserve's announcement on 18th September. The announcement that the monetary stimulus (in the form of €85bn of bonds being bought each month) would remain in place versus an expectation of 'tapering' took markets by surprise. US Treasury yields dropped back from their recent highs of 3% and asset pricing around the globe improved as a consequence.

Our view – this is merely a delay in the inevitable and we continue to focus on companies with sound balance sheets and where CFOs have been moving away from an over reliance on floating rate debt. As longer term interest costs begin to rise we need to ensure that we are exposed to businesses with portfolios that are experiencing rental growth or close to it. From here it is the anticipation of that growth which will drive investment values.

The UK continues to report strong PMI figures and that has driven the anticipation of tenant demand and rental growth. The UK stocks rose +3.8% in the month, with the strongest performers including Hansteen (+10.2%) following the acquisition of the Ashtenne Industrial Fund from the administrators of Warner Estates and LondonMetric (+11.2%) who reported a string of acquisitions which will help support the high dividend. Income remains a strong rationale for owning the sector and the high yielding Dutch names responded to the renewed realisation that income would continue to be hard to access rising 5.2% collectively. The Austrian names rose +6.8% following CA Immo's announcement that it had sold 2/3rds of its flagship project, Tower 185 in Frankfurt.

The fund's NAV rose +2.5%, underperforming the benchmark by 23 bps. We suffered from underweight positions in Capital & Counties (+5.5%) and Segro (+8.0%) – both were reduced positions on valuation grounds. The share price rose +2.9% on a slight narrowing of the discount.

Cumulative performance as at 30.09.2013 (%)

	Current month	YTD	1 year	2 years
Fund (Total Return)	2.44	12.58	23.45	41.41
Benchmark	2.68	9.51	19.63	32.54

Benchmark : FTSE EPRA/NAREIT Capped Total Return GBP

Standardised performance as at 30.09.2013 (%)

	2010/ 2011	2011/ 2012	2012/ 2013
Fund (Total Return)	-	14.55%	23.45%
Benchmark	-	10.80%	19.63%

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

Sector allocation (%)

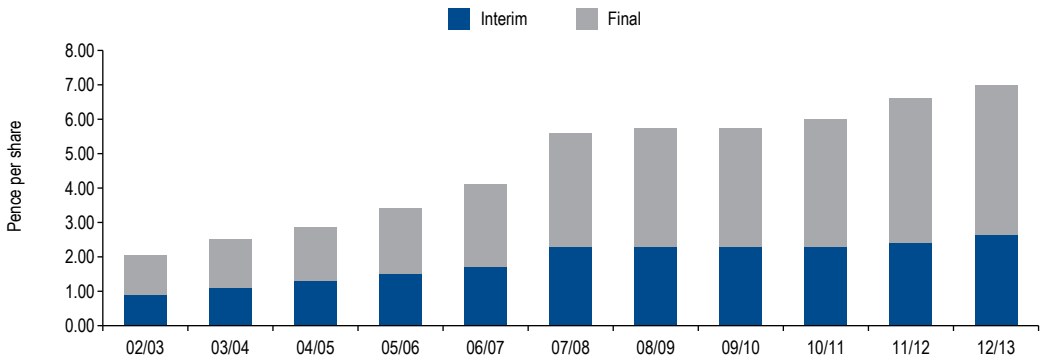
Industrial	6.8
Offices	34.7
Other	6.2
Residential	16.2
Retail	36.0
TOTAL	**100.0**

Asset allocation (%)

UK Shares	40.9
UK Direct Property	6.7
Continental Shares	52.4
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): £717.0mn

Net gearing: 15.3%

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)	226.40p
Share price	209.90p
Discount	-7.29%
Yield	3.33%

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	1.0
Central Europe	1.7
Denmark	0.1
Finland	1.6
France	17.1
Germany	15.6
Greece	0.0
Ireland	0.2
Italy	3.1
Netherlands	1.8
Norway	1.7
Other Overseas	0.3
Portugal	0.1
Russia	0.1
Spain	1.3
Sweden	11.7
Switzerland	3.8
UK	36.2
USA	0.1
TOTAL	**100.0**

Top holdings (%)	
UNIBAIL-RODAMCO	10.8
LAND SECURITIES GROUP PLC	9.5
HAMMERSON PLC	5.9
BRITISH LAND CO PLC	5.1
GREAT PORTLAND ESTATES PLC	4.3
DERWENT LONDON PLC	3.4
ST. MODWEN PROPERTIES PLC	3.0
PSP SWISS PROPERTY AG-REG	2.8
LEG IMMOBILIEN AG	2.7
DEUTSCHE EUROSHOP AG	2.6

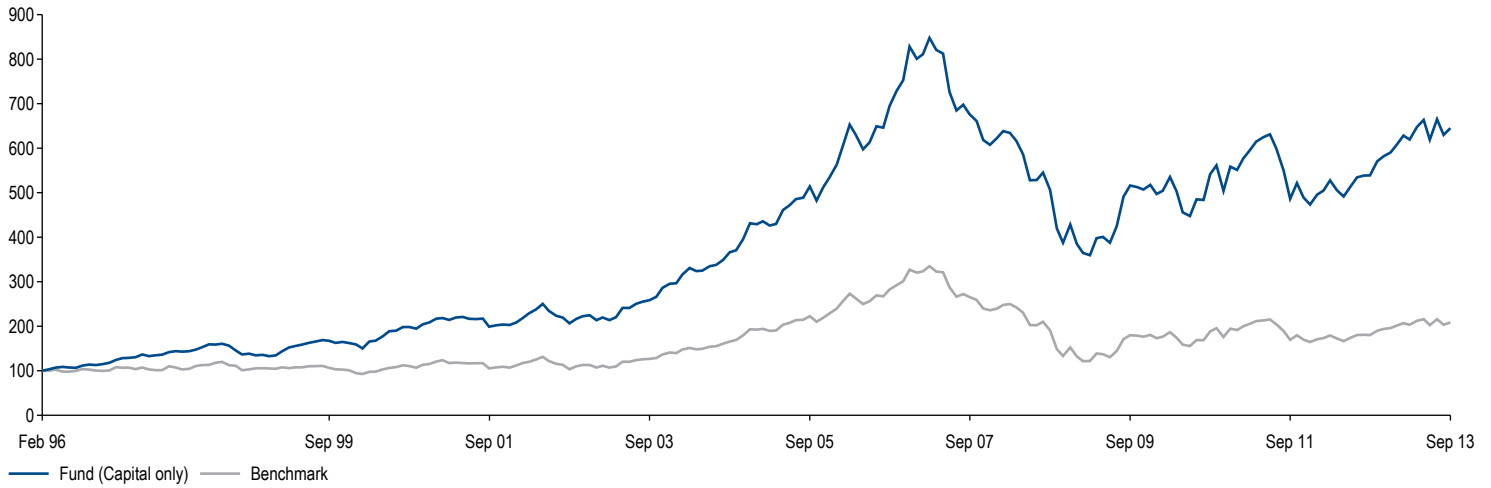
Fund performance to 30.09.2013 (%)

	Current month	YTD	1 year	3 year	5 year
Fund (Capital only)	2.42	9.27	19.72	19.13	27.41
Benchmark	2.53	6.44	15.77	10.66	9.33
Share price	2.89	21.33	31.27	29.81	46.27

Benchmark : 100.0% FTSE EPRA Europe Cap GBP

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

Fund performance



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