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TR PROPERTY INVESTMENT TRUST PLC

Financial Report for the half year ended 30 September 2020

27 November 2020

Financial Highlights and Performance

	At 30 September 2020 (Unaudited)	At 31 March 2020 (Audited)	% Change
Balance Sheet			
Net asset value per share	402.23p	358.11p	+12.3
Shareholders' funds (£'000)	1,276,479	1,136,453	+12.3
Shares in issue at the end of the period (m)	317.4	317.4	+0.0
Net debt ^{1, 5}	16.8%	7.6%	
Share Price			
Share price	345.00p	317.50p	+8.7
Market capitalisation	£1,095m	£1,008m	+8.7
	Half year ended 30 September 2020 (Unaudited)	Half year ended 30 September 2019 (Unaudited)	% Change
Revenue and Dividends			
Revenue earnings per share	7.65p	9.96p	-23.2
Interim dividend per share	5.20p	5.20p	+0.0
	Half year ended 30 September 2020 (Unaudited)	Year ended 31 March 2020 (Audited)	
Performance: Assets and Benchmark			
Net Asset Value total return ^{2, 5}	+14.8%	-11.5%	
Benchmark total return	+9.8%	-14.0%	
Share price total return ^{3, 5}	+11.3%	-16.8%	
Ongoing Charges ^{4, 5}			
Including performance fee	+1.42%	+0.80%	
Excluding performance fee	+0.66%	+0.61%	
Excluding performance fee and direct property costs	+0.64%	+0.59%	

1 Net debt is the total value of loan notes and loans (including notional exposure to contracts for difference ("CFDs") and in prior year Total Return Swap) less cash as a proportion of net asset value ("NAV").

2 The NAV Total Return for the year is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. Dividends are deemed to be reinvested on the ex-dividend date as this is the protocol used by the Company's benchmark and other indices.

3 The Share Price Total Return is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date.

⁴ Ongoing Charges are calculated in accordance with the AIC methodology. The ratio for 30 September 2020 is based on forecast expenses and charges for the year ending 31 March 2021. The performance fee included in the calculation above is the provision at 30 September 2020 referred to in note 2 rather than an estimate of the fee at the year end.
⁵ Considered to be an Alternative Performance Measure as defined in the full Half Year Report.

Dividend

An interim dividend of 5.20p (2019: 5.20p) will be paid on 8 January 2021 to shareholders on the register on 11 December 2020. The shares will be quoted ex-dividend on 10 December 2020.

Chairman's Statement

Introduction

For the six months to 30th September, the Trust delivered a healthy NAV total return of 14.8%, well ahead of the benchmark total return of 9.8%. The share price total return was 11.3% as the discount to the underlying asset value widened slightly over the period.

Whilst these figures are comfortingly positive, they are a six-month snapshot which commenced shortly after the equity market had fallen sharply. Since then there has been a steady recovery in pan European real estate equity share prices as investors took comfort from significant central bank stimulus and state aid for corporates and individuals.

The COVID-19 crisis has forced a dramatic change in the way we work, consume and relax. It has also had a huge impact on how businesses and consumers use their real estate. For some sectors this has driven an acceleration in trends which were already underway; for others the impact may prove only temporary. The immediate disruption has affected the ability of many tenants to pay their rent whilst for others sustained, or even growing, income has stimulated investor demand. The gulf in valuation between winners and losers has rarely been wider.

Our manager has focused on those businesses with the most sustainable income. Our closed ended, permanent capital structure, as an Investment Trust, has again proved its worth with our ability to acquire shares and take a longer-term view when others are driven to sell.

As far as our own operations are concerned, the business continuity arrangements of the Manager and other third party service providers have proven robust and operations have been able to continue largely as normal.

Revenue Results and Dividend

Revenue earnings for the first half are 7.65p per share, a reduction of 23% from the 9.96p achieved at the same stage in 2019. This reflects the cuts and suspensions of dividends that many companies announced early in the year.

Even so, the Board has announced a maintained interim dividend of 5.20p, the same as the prior year.

Revenue Outlook

Shareholders will remember from previous years that around two thirds of the full year income is usually earned in the first half. Hence, at the time of writing

the Board has a reasonably clear understanding of the revenue for the remainder of the current financial year to March 2021. Although the income for the full year will be lower than the prior year, the Board expects to maintain the dividend for the current financial year at a similar level requiring a partial distribution from revenue reserves.

The Board has been cautious with distribution levels for much of the last decade and the Company thus has the benefit of substantial revenue reserves (14.13p per share after payment of the 2020 final dividend) which can be utilised to supplement income and sustain dividend levels until the longer-term picture is clearer. Over the medium term, the Board will clearly assess the sustainable level of dividend once the longer-term earnings capability of the portfolio is established.

The outlook beyond the current financial year remains extremely difficult to predict. The Manager has focused on stocks producing a reliable income stream and the companies able to deliver this have been in demand driving up capital values. I remind shareholders that the Trust aims to outperform its benchmark in total return terms. At some point the stocks delivering reliable income may become overvalued and the potential for superior capital returns in the unloved sectors becomes too great for us to ignore, which would cause the Trust's revenues to fall.

Net Debt and Currencies

Gearing at the end of September was 16.8%, increasing from 7.6% at the end of March 2020.

Currencies continue to be volatile and we expect this to remain the case as the UK edges towards a deal or no deal Brexit. This will have some impact on the income received in the second half, with a weakening Sterling increasing the value of earnings from non-Sterling holdings and vice versa if Sterling strengthens. There will also be an impact on the capital valuation of the portfolio which has 73.7% of exposure to non-GBP denominated assets. Full details of currency exposures are set out in the full Half Year Report.

Discount and Share Repurchases

The discount of the share price to the net asset value widened over the period from 11.3% at 31 March to 14.2% at the end of September. The average discount over the six-month period has been 11.6% although the shares have traded in a wide range between 4.1% to 16.1% as should be expected in such turbulent markets.

There were no share repurchases in the half year period.

Outlook

Europe is experiencing a second wave of COVID-19. Local, regional and even national lockdowns have been re-imposed on many millions of people, yet European stock market indices are higher than they were in May 2020. Markets are forward looking. The US election outcome reflects the prospects of further reflationary spending and an initial trade deal (of sorts) looks tantalisingly close for the EU and the UK.

The huge central bank and fiscal stimulus packages across the globe have driven fixed income yields through the floor while the disruption to business activity has resulted in heavy cuts to dividends across a broad spectrum of listed companies. Sustainable investment income is in short supply and those businesses which can deliver – and we are invested in many – will continue to be attractive. For the future, the news on several potential vaccines is hugely encouraging. Their suitability for a fast roll-out to those most at risk would quite rapidly enable large parts of the economy to return to a more normal conditions. This could engender a wholesale return to the office and recovery in hospitality with tourism benefitting once broader population are inoculated. The consequential benefit to the real estate sector has already been felt in share prices in the last couple of weeks.

Although it may seem a little perverse, given the difficult conditions we are all currently enduring, the outlook for real estate equity pricing has improved. The dispersion of returns since March has been so wide that valuations are potentially becoming attractive in some of the least loved sectors of the market. Everything revolves around income security. This presents opportunities for a closed-ended structure where we can selectively acquire such names alongside our core, secure income portfolio.

David Watson
Chairman
26 November 2020

Interim Management Report

The Chairman's Statement above and the Manager's Report below give details of the important events which have occurred during the period and their impact on the financial statements.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company and an explanation of these risks and how they are managed are set out in the Annual Report and Financial Statements for the year ended 31 March 2020 on pages 28 to 31 (which can be found on the Company's website www.trproperty.com).

The principal risks and uncertainties have not changed since the date of that report. The ongoing situation regarding COVID-19 continues to develop, the impact of this on the results for the six months to 30 September 2020 is covered comprehensively in the Chairman's and the Manager's report together with the consequential positioning of the investment portfolio.

Going Concern

As stated in note 5 of the financial statements, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months to the date of this report.

Accordingly, the going concern basis is adopted in preparing the condensed financial statements.

Related party transactions

Related party transactions are disclosed in note 8 to the financial statements. There have been no material changes in the related party transactions described in the last annual report.

Directors' Responsibility Statement

The Directors acknowledge responsibility for the interim results and approve this Half-Yearly Financial Report. The principal risks facing the Company are substantially unchanged since the date of the Annual Report for the year ended 31 March 2020 and continue to be as set out in that report.

The Directors of TR Property Investment Trust plc confirm that to the best of their knowledge:

- (a) the Half-Yearly Financial Statements have been prepared in accordance with IAS 34 and give a true and fair view of the assets, liabilities, financial position and profit for the period of the Group as required by the Disclosure Guidance and Transparency Rules ("DTR") 4.2.4R;
- (b) the Chairman's Statement together with the following Manager's Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the report includes a fair review of the information required by DTR 4.2.8R.

On behalf of the Board

David Watson
Chairman

26 November 2020

The Board members as at the date of the announcement are listed on page 27 of the full Half Year report.

Manager's Report

Performance

The net asset value total return for the six months was 14.8%, ahead of the benchmark total return at 9.8%. Continental property companies collectively returned 11.3% (in local currency terms) again outperforming their UK counterparts (2.1%). When viewed entirely in GBP, the difference is even starker given the weakness in GBP over the period.

The initial impact of the pandemic on European real estate equities saw the benchmark drop 36% from the pre-COVID peak of 19 February 2020 to the most recent trough on 18 March. The new financial year therefore started close to these depressed levels. Whilst the performance in the first half when viewed in isolation is encouraging, it is important to note that the sector remains over 19% below the pre-COVID-19 peak.

Reviewing the attribution, it was another period in which our overweight to logistics/industrial and the underweight to retail delivered relative outperformance. London exposed stocks suffered particularly as office workers have not returned (we estimate office utilisation rates at c25% versus a Continental average of +50%) and this combined with the collapse in tourism (both domestic and international) has hollowed out our global city. Our UK office exposure was concentrated in decentralised offices through CLS and McKay whilst we avoided retail focused names such as Capco and Shaftesbury as well as those businesses with short occupational leases such as Workspace.

German residential continues to be a dominant element of both our universe (accounting for 25% of our benchmark) and the portfolio (30% of net assets). Investors remain drawn towards the very high levels of occupancy (c99%), secure income (virtually no arrears) and fundamental market dynamics. Germany, like all developed countries needs to build more housing. This demand for secure income was a dominant theme in the period with healthcare (Assura, PHP and Target Healthcare) all contributing to performance alongside our supermarket exposure (Supermarket Income REIT in the UK and Cibus in Finland/Sweden). Aside from Cibus, my collective underweight to Sweden generally and in particular the residential names (we prefer Germany) was costly. The Swedish property names, which account for 12% of our investible universe, collectively enjoyed a total return of 30% (in SEK) over the 6 months with almost all of that gain in one month - September. Investors really bought into the success of their economy reopening with a different approach to management of the health crisis than the rest of Europe.

The pandemic has turned much 'on its head' and in our corner of the equity market it was the performance of Swiss property companies which have been much weaker than history would have predicted. Traditionally a safe haven, these stocks have not recovered from the March lows with investors focused on the problematic retail exposure of the largest listed companies. We continue to be underweight in the group. Another surprise has been in self-storage which has reported only very modest contraction in demand. Whilst our stock selection in the UK was correct (Safestore total return +23% versus Big Yellow +5%), the runaway success was Shurguard, the Continental player which returned +42%, which we didn't own. In our defence, the stock enjoyed strong demand from index trackers as it entered various benchmarks.

The portfolio has some gearing. This was reduced in February and March but has subsequently returned to prior levels. In a period of elevated volatility this requires further explanation. The Trust continues to take advantage of its closed ended structure and holds a number of illiquid small cap stocks. These well-run companies exposed to outperforming subsectors often suffer from investor

oversight being deemed too small. As a consequence, in rising markets they often underperform their larger brethren (in market parlance their 'beta' is less than 1). Adding some gearing helps compensate for these lower beta names. Our experience is that over time the underlying property fundamentals would be recognised and if not, then the market would take them private or merge them together. Our physical property exposure also sits outside our benchmark and additional gearing ensures that we are not underexposed to equities versus our benchmark given that a proportion of capital is invested in physical property.

Offices

This sector has suffered from universal negative sentiment as much of Europe's office-based workforce switched to working from home ("WFH"). This all occurred in late March and into April, just as we entered our new financial year. As spring turned to summer we saw a steady increase in returning to working in the office. This was far more pronounced in Continental cities, particularly smaller ones than in London (which holds the unfortunate accolade of the longest average commute of 77 minutes). Evidence from Scandinavian cities (including the largest, Stockholm) indicate office utilisation rates (the levels of occupancy compared with pre-COVID levels) reaching +80%. The major German cities have also reported much higher levels than London and again reflects the size of the city, commute times and the amount of decentralised office space (fewer floors than the CBD towers).

The low level of utilisation in London has clearly impacted existing and potential tenants' behaviour. The silver lining on the proverbial cloud has been the lack of new supply (as commented upon in the Annual Report) which remains well below the long term average. However, as expected, demand has reduced whilst supply, particularly of second hand space, has risen every month since March and is now at 18.1m sq ft (long term average 14m sq ft) a level last seen in 2010. Vacancy overall has now crept up to 6% across Central London but is much more pronounced in the City and Docklands than in the West End.

None of this market behaviour comes as a surprise and has been fully reflected (in our view) in share prices. The surprise has been the robustness of the property investment market and this has been echoed across Europe's dominant cities. Long term capital has looked beyond the current crisis and clearly doesn't buy into the 'end of the office' theory (nor do we). The last quarter of the year has already seen a number of significant transactions with competitive bidding and the major agencies are predicting prime yields to remain stable (initial yields at 3.75% for the West End, 4% for the City) as we progress into 2021. It is important to note that such demand is focused on prime, fit for purpose, buildings.

Paris has seen a similar investment picture with the headline grabbing sale by Unibail-Rodamco-Westfield of SHiFT, a 47,000 sq m brand new office for €620m. However, Paris is experiencing increasing new supply particularly in La Defense and other decentralised markets. Only the core central areas have maintained record low vacancy levels and we remain nervous about the prospects outside of this central sub-market.

As we move into the autumn we are experiencing a second wave of the virus in Europe and the nascent return to office movement appears at risk of being snuffed out. A pattern of tenants extending existing leasing arrangements whilst they assess their future requirements is emerging. WFH will therefore remain a key element of working patterns now and in the future, however the longer it continues to be the default option the greater the realisation that it is no panacea.

Retail

The MSCI/IPD data for six months to the end of September saw all retail property capital values fall –9.1% with shopping centres down –14.5%. We feel that the data is historic and the valuation community collectively have further write downs to make at the calendar year end and beyond. The pandemic has accelerated structural issues which were already well underway prior to February 2020. In fact, I have been commenting on the challenges of our fast-changing spending patterns on physical retail space for many years. The ‘double whammy’ in the UK is the collapse in the profitability of many physical stores coupled with the use of the CVA process to force landlords to accept reduced rents. Landsec’s new CEO, Mark Allen commented at his inaugural Capital Markets Day that he expected rental values to fall a further 25% from their March position.

A consequence of this acceleration in the decline of all metrics (for this sector) has been the utter dearth of transactions. Investors are not yet ready to step in until there is clarity on affordability for tenants.

It is this issue of affordability which separates the (dire) situation of the UK with the (poor) situation in Continental Europe. Historically, short lease lengths and indexation enabled Continental European retailers to adjust rents to market levels much more easily than their UK counterparts. However, there is no room for complacency, the low levels of online retailing in France and Italy (when compared to the UK) is set to change forever with a huge increase in new adopters. Inditex, Europe’s largest fashion retailer has announced its objective of having online sales reaching 25% of all turnover by 2022 when compared to 14% in 2019. An extraordinary acceleration in a very short period of time.

Investment markets remain very subdued. The UK saw virtually no material shopping centre transactions in the period. All listed retail landlords have identified the need to reduce their leverage. In the UK, the administrator of Intu is reportedly marketing the Trafford Centre and Hammerson will need to sell assets to support its refinancing. In France, Unibail-Rodamco-Westfield has announced its intention to raise €4bn from selling both Paris office schemes and number of large shopping centres. It successfully sold a majority stake in 5 centres to Credit Agricole/La Francaise for €1.1bn but this still required substantial vendor financing. New clearing prices for both large and small centres will now be set in the next 12 months as vendors become price takers.

Distribution and Industrial

In the Annual Report I commented on how the supply response, particularly for UK ‘big box’ logistics assets, had reduced the rate of rental growth in the previous year. However, the last six months has seen demand for these assets

(and for their smaller 'last mile' cousins) accelerate. DTRE report record take up in the UK of 32.6m sq ft for the first 3 quarters of 2020, ahead of the previous record set in 2018. Q3 2020 saw the highest ever quarterly figure. Supply of modern units (100,000ft and larger) is just 33m sq ft again close to record lows. Yet another example of where the crisis has accelerated an existing structural trend. We anticipate further investor demand and potentially yield compression from here.

For broader industrial markets we are seeing the steady maintenance of demand. Looking at previous cycles we would have expected demand to weaken as economies slowed but the structural undersupply particularly in the more valuable suburban environments – where land supply is negligible – is underpinning rents. Again the crisis has revealed the attraction of this asset class with tenants able to continue to occupy and operate their businesses in a COVID-safe manner. Something which is proving much harder to achieve in an office building.

In Continental Europe the previously slower adoption of online retailing is rapidly accelerating. The Centre for Retail Research's (CRR) July 2020 forecast for Western Europe's six largest economies online sales to rise from 12% in 2019 to 16% in 2020. Pre-COVID estimates were for 16% to be reached only in 2022 so the crisis has steepened the trajectory. The UK's experience was that once online sales exceed 12% they gain a momentum which results in a marked increase in logistics demand. Another impact has been the increase in businesses confirming that they are investigating or are already underway with re-shore or near-shore projects. The tag line is 'a little more just in case rather than more just in time'. These structural shifts are evident in the low level of vacancy even through the pandemic. Savills report average vacancy levels rising from 5.1% to just 5.8% in the first half of 2020 across Continental Europe.

Again, investors are following the growth. Logistics investment transaction volumes total €13.3bn in the first half of 2020, less than the €14.5bn in the same period of 2019 but not far behind and quite extraordinary given the lockdown restrictions. Germany was the most active market exceeding €3bn, beating the UK (€2.8bn) and France (€2.1bn). Demand remains very resilient.

Residential

As expected the sector has remained highly resilient during the pandemic. The majority of our investments are in German and Swedish housing where rents are subject to state control. The remaining exposure is Finland and the UK where rents are open-market. The former offer greater security with rents tied to indexation whilst the latter offers more opportunity to capture market growth but with the commensurate risk if vacancy rises and market rents fall. During the crisis, the security of income and very high occupancy levels resulted in the sector retaining its popularity. German housing has experienced price rises in virtually all its sub-markets. Berlin remains the outlier. The rent freeze (Mietendeckel) became law but an appeal is due to be heard by the Federal Constitutional Court in Q1 2021 and most experts expect the law to be nullified on the grounds that such decisions are under Federal not State jurisdiction. One predicted side effect of the rent freeze has already begun to materialise, namely the rapid reduction in new build starts. The fundamentals across Germany are

no different to other Western European economies, a shortage of supply. Germany requires 350,000 new units per annum and is currently building less than 250,000. We expect to maintain our overweight position.

Alternatives

This group encompasses sectors who have thrived (supermarkets, healthcare, self-storage) in the crisis and those who have not (student accommodation, hotels). Healthcare encompasses primary healthcare, elderly living and social housing. The best performance has come from those businesses with the most secure (state funded – directly or indirectly) income. This has seen primary care outperform elderly living. However, the underlying funding of elder care across the UK and Continental Europe varies enormously between private and public and this has impacted on investors perceptions of the quality of earnings. Aedifica, Europe's largest listed owner of nursing home facilities returned 13.4% in the six months whilst Target Healthcare, a much smaller, UK provider returned 1.2%. We now favour the latter stock on valuation grounds.

Self-storage has been very resilient through the crisis. Our central thesis is the combination of WFH (people need to declutter the spare room) and the flexibility offered to commercial tenants combined with the city centre locations of much of the listed companies' sites has resulted in demand being resilient.

Our supermarket exposure has been through Supermarket Income REIT (UK) and Cibus (Sweden and Finland). The strong earnings quality from these companies and index-linked income growth combined with dividend yields over 5% remains attractive. Supermarket's latest raise (£200m in October) was upsized given the demand and is the second raise this year (following £140m in April). Alongside industrial and logistics, supermarkets have seen elevated transaction volumes.

Student accommodation revenues have clearly suffered through the crisis, however this sector has solid long term fundamentals. Three factors support our views, rising domestic student numbers (the Millennium 18 year old demographic dip is now behind us) and a desire to increase one of the UK's major exports (tertiary education) will drive growth. In addition, economic downturns (and a fall in school leaver job opportunities) lead to more young adults remaining in education. In the short term, the operational risks are clear but if we are looking for sectors which can rebound faster than underlying economic growth, this is one of them.

Debt and Equity Markets

Debt raisings and refinancings were down on the same period last year, but not by as much as we might have expected given the pan European lockdowns. EPRA recorded €10.3bn for the six months compared to €12.6bn in the same period last year. As noted last year, very low rates have been with us for so long now and durations have mostly been extended resulting in fewer refinancing requirements. German residential companies were prevalent in the period with Vonovia raising €2.5bn in four transactions borrowing 10-year money at 1%. In late October, Gecina, Europe's largest office REIT raised €200m in a 2034 term bond at 0.86%. For the strongest real estate companies bond markets remain very attractive particularly given the ECB's ongoing buying programme.

There were no IPOs in the period, which is not a surprise. However, particularly early in the crisis, we did see a number of strong businesses trading at premiums raise capital for opportunistic expansion. This was in sectors with clear underlying demand, namely healthcare (Assura, Aedifica, Primary Health Properties), self-storage (Big Yellow), logistics/industrial (LondonMetric, SEGRO, VGP), supermarkets (Supermarket Income REIT) and German residential (Vonovia, ADO Properties). The total raised was £3.6bn.

Post the summer we have begun to see the more defensive raises as companies come under cashflow and valuation pressure. This has been primarily in the retail sector with raises at varying depths of discount to the respective undisturbed price depending on the level of distress. Hammerson's £600m raise effectively recapitalised 95% of the pre-raise balance sheet with a 24 for 1 rights issue. Unibail-Rodamco-Westfield announced a proposed €9bn 'Reset' plan comprising €3.5bn capital raise, dividend cancellation and a planned €4bn of disposals. Post the period end, Shaftesbury announced a £300m placing and open offer at 400p, a 20% discount to the undisturbed price and a 54% discount to their last published net asset value. The Company needs to raise capital to enable its lenders to grant waivers as otherwise it would breach a number of interest cover ratio requirements. For owners of retail property this is both a cashflow and valuation crisis.

Property Shares

After the initial recovery in late March and early April, pan European property shares were tightly range bound through the Spring. They enjoyed a further step up in recovery in late May as European economies began to reopen but then continued their range bound (6% peak to trough) performance to the end of the period. To illustrate the point, the index value on 15th June and 30th September were virtually identical.

However, underneath this blended performance we have experienced some of the greatest divergence in sub-sector returns since the global financial crisis. The period witnessed the dramatic acceleration of already evident structural change in the retail / logistics trade off. However, the pandemic also started a worldwide rethink on how we might use office space in the future. Alongside these questions over the built environment, investors also saw the opportunity to buy high quality, index-linked income streams (healthcare, private residential and supermarkets) just as fixed income yields became even skinnier than before. The hunt for yield has become even harder.

A sample of performance figures amply make the point. In the UK, SEGRO's total return in the period was +25% as it was for our preferred self-storage operator, Safestore. The standout logistics performance was Tritax Bigbox at +46%, whilst Hammerson was the same figure but with a minus sign in front. Intu's negative performance was -100% as the company moved into administration and delisted with the equity evaporated. Capital & Regional's total return was -55% even with a new cornerstone investor (the South African listed company, Growthpoint). The picture was the same across Europe, WDP (Europe's largest logistics owner / developer) +22% and Argan (our favourite

small cap logistics owner / developer) +23%, whilst Unibail-Rodamco-Westfield and Klepierre recorded total returns of -39% and -27% respectively.

Investment Activity

Turnover (purchases and sales divided by two) totalled £325m equating to 25% of the average net assets over the period. This was more than double the £157.8m for the same period last year. The increase reflects a number of factors, the most significant being the reinvestment in the portfolio which occurred in April and May as share prices recovered from their March lows coupled with the participation in a large number of offensive capital raises as described earlier.

As we move into the second half of the financial year, the number of defensive capital raisings are beginning to mount. The general meeting (“GM”) for the Unibail-Rodamco-Westfield’s ‘Reset’ proposal was held on 10th November and the vocal minority opposing the deeply discounted capital raise successfully blocked the raise as well as voting in 3 activists onto the Board, led by the ex-CEO, Leon Bressler. Shaftesbury’s GM will be less contentious with the two cornerstone investors (Norges and Capco) owning 50% of the equity between them. However, raising equity at over 50% discount to the last published NAV is a bitter pill for shareholders. We have participated in the raise.

The high levels of share price volatility within the tight overall trading range coupled with the outperformance of certain sectors and the continuing deterioration of others resulted in relatively little overall portfolio repositioning. However, there was a handful of significant changes within both our overweight and underweight sectors. Within German residential, I reduced exposure to Deutsche Wohnen whilst increasing the Berlin small cap Phoenix Spree but overall exposure to Berlin residential changed little. Our exposure to broader German residential did increase with additional investment in Vonovia, LEG and TAG. Our London office exposure fell with the sale of the entire Workspace position as we rotated away from companies with short term income weakness whilst increasing our holding in Derwent London. In Sweden, we reduced exposure to Stockholm offices (Fabege and Kungsleden) whilst increasing exposure to Swedish/Finnish supermarkets through Cibus. Within the logistics space we took substantial profits in LondonMetric, recycling into Argan in France, Montea and VGP in Belgium and VIB Vermoegen in Germany. The sales in LondonMetric were valuation based and we continue to have a significant holding and full confidence in management. Although London office exposure fell, we added to German cities through Aroundtown and CLS Holdings.

Revenue and Revenue Outlook

Revenue collected in the first half of the year amounted to around 77% of the prior year level. At the beginning of the financial period, a number of companies announced the suspension of dividends or cuts in response to the COVID pandemic. Some of these were at least partially restored later in the year and our portfolio was well positioned towards the sectors which have maintained dividend levels, however companies remain cautious and we expect to see a continued lower level of income in the second half.

Income from our direct portfolio has remained relatively robust and at the time of writing, we have collected 88% of the total rent roll with agreed deferrals of

4%. Of the remaining 8% we are chasing 5% with 3% having been written off to help support two of our four retail tenants at the Colonnades.

Our income from the equity portfolio is not received evenly throughout the year and the first half usually represents around two thirds of the full year income. Non-sterling income will also be subject to exchange rate fluctuations, with more volatility likely as the Brexit deadline approaches and negotiations continue.

The effective tax rate has reduced from a prior year level of 10.5% at the half year stage to 8.4%, largely due to favourable withholding tax rates on dividends received in the first half.

The longer-term outlook is difficult to predict, the uncertainty around COVID-19 continues and at the time of writing many European countries and the UK are in a second phase of lockdowns. This will continue to put pressure on rent collection from a number of users of real estate, although, as already set out in this report some sectors have benefited or at least remained robust. Currently the portfolio is well positioned towards these users, but as flagged in the Chairman's report, valuation considerations may cause this to change.

In the meantime, the Board has announced an interim dividend in line with the prior year and an intention to utilise reserves for a period of time until a longer-term view emerges.

Gearing and Debt

Gearing at 16.8% has increased substantially from the 7.6% at the year end and I touched on the background to this earlier in this announcement. Three quarters of the debt drawn at the half year stage was derived from flexible short term borrowing or gearing through the use of CFDs giving a high degree of flexibility to adjust if market conditions change.

We continue to source our debt from a variety of sources and at the time of writing have just agreed a renewal and increase in our facility from ICBC. Other facilities renew at different points in the year and as they do we will consider the amounts and maturity dates. It is our aim to maintain a variety of sources and maturity dates.

Direct Physical Portfolio

The physical property portfolio produced a total return of -1.2% composed of a capital return of -2.9% and an income return of 1.7%. In contrast the IPD Monthly Index produced a total return of -1.6% made up of a capital return of -4.3% and an income return of 2.8%.

The September valuation fall was driven by deteriorating sentiment towards all retail property. Whilst our non-food retail exposure is restricted to just four units at the Colonnades in Bayswater, the valuers' estimated rental values were marked-down and investment yields rose resulting in a £3m write down in the £100m portfolio.

The industrial component of the portfolio performed well over the six months with industrial occupational demand and investment activity remaining robust.

At our industrial estate in Wandsworth, we successfully let 4 units during the lockdown to a variety of tenants. All leases are now deliberately short term to preserve the redevelopment flexibility following the successful receipt in November 2019 of planning permission to redevelop the estate.

Outlook

In the Annual Report I emphasised our focus on businesses whose cashflow had suffered minimal disruption through the crisis. The huge amount of central bank stimulus and government fiscal support has ensured that for the vast majority of property companies, this remains a liquidity rather than solvency crisis.

In the last few days, news of potential vaccines has driven markets higher even as we all endure a second phase of lockdown. In the short term, improvements in all aspects of the testing regime will increase mobility, with the vaccines hopefully reaching much of the population through 2021.

Even at that point, all nations will still need to grapple with the huge additional debt burden and we believe real assets will remain a key cornerstone for institutional investors as we look to an elongated period of very low interest rates.

As I have highlighted in previous reports, much more real estate is owned privately than via public markets. If listed companies continue to trade at significant discounts to asset value then we would expect to see more 'public to private', particularly given the amount of capital searching for returns.

Marcus Phayre-Mudge

Fund Manager

26 November 2020

Distribution of Investments

as at 30 September 2020

Continental Europe	66.1%
UK Securities	27.4%
UK Property	6.6%
CFD Creditor	-0.1%

Distribution of Investments

as at:

	30 Sept 2020 £'000	30 Sept 2020 %	31 Mar 2020 £'000	31 Mar 2020 %
UK Securities – quoted	381,238	27.4	352,188	30.4
UK Investment Properties	91,579	6.6	94,510	8.1
UK Total	472,817	34.0	446,698	38.5
Continental Europe Securities – quoted	920,552	66.1	708,597	61.1
Investments held at fair value	1,393,369	100.1	1,155,295	99.6
- CFD (creditor)/debtor ¹	(2,066)	(0.1)	8,698	0.7
- TRS creditor ²	-	-	(3,808)	(0.3)
Total Investment Positions	1,391,303	100.0	1,160,185	100.00

Investment Exposure

as at 30 September 2020

Equities	93.9%
UK Property	6.1%

Investment Exposure

as at:

	30 Sept 2020 £'000	30 Sept 2020 %	31 Mar 2020 £'000	31 Mar 2020 %
UK Securities				
- quoted	381,238	25.5	352,188	28.9
- CFD exposure ³	36,255	2.4	32,257	2.6
- TRS exposure ⁴	-	-	6,598	0.5
UK Investment Properties	91,579	6.1	94,510	7.8
UK Total	509,072	34.0	485,553	39.8
Continental Europe Securities				
- quoted	920,552	61.5	708,597	58.2
- CFD exposure ³	67,559	4.5	24,471	2.0
Total Investment Exposure⁵	1,497,183	100.0	1,218,621	100.00

Portfolio Summary

as at:

	30 Sept 2020	31 Mar 2020	31 Mar 2019	31 Mar 2018	31 Mar 2017
Total investments	£1,393m	£1,155m	£1,291m	£1,316m	£1,145m
Net assets	£1,276m	£1,136m	£1,328m	£1,256m	£1,118m
UK quoted property shares	27%	31%	33%	31%	29%
Overseas quoted property shares	66%	61%	59%	62%	63%
Direct property (externally valued)	7%	8%	8%	7%	8%

Net Currency Exposures

as at 30 September 2020

	Fund %	Benchmark %
GBP	26.3	26.6
EUR	52.1	51.6
CHF	7.4	7.5
SEK	13.0	13.3
NOK	1.2	1.0

1. Net unrealised gain/(loss) on CFD contracts held as balance sheet debtor/(creditor).
2. Net unrealised loss on total return swap ("TRS") contract held as balance sheet creditor.
3. Gross value of CFD positions.
4. Gross value of TRS position.
5. Total investments illustrating market exposure including the gross value of CFD and TRS positions.

Investment portfolio by country

	£'000	Market value %
Austria		
CA Immobilien	6,785	0.5
	<u>6,785</u>	<u>0.5</u>
Belgium		
Warehousing and Distribution de Pauw	30,193	2.2
Aedifica	14,369	1.0
Cofinimmo	9,147	0.7
VGP	7,434	0.5
Care Property	5,793	0.4
Xior	5,062	0.4
Montea	2,814	0.2
Intervest Offices & Warehouses	2,188	0.2
Wereldhave	261	-
	<u>77,261</u>	<u>5.6</u>
Finland		
Kojamo	25,294	1.8
	<u>25,294</u>	<u>1.8</u>
France		
Argan	60,142	4.3
Gecina	23,189	1.7
Covivio	11,797	0.8
Mercialys	1,265	0.1
Altarea	1,077	0.1
	<u>97,470</u>	<u>7.0</u>
Germany		
Vonovia	182,662	13.1
LEG	86,108	6.2
Deutsche Wohnen	45,857	3.3
TAG Immobilien	42,273	3.0
VIB Vermoegen	32,928	2.4
Aroundtown	28,917	2.1
Alstria	8,075	0.6
Grand City Properties	1,870	0.1
	<u>428,690</u>	<u>30.8</u>
Ireland		
Irish Residential Properties	2,650	0.2
Hibernia REIT	1,682	0.1

	4,332	0.3
Netherlands		
Unibail-Rodamco-Westfield	14,238	1.0
Eurocommercial Properties	9,707	0.7
NSI	3,874	0.3
	27,819	2.0
Norway		
Entra	32,565	2.3
	32,565	2.3
Spain		
Arima Real estate	19,133	1.4
Merlin	4,244	0.3
	23,377	1.7
Sweden		
Fabege	37,012	2.7
Kungsleden	29,993	2.2
Wihlborgs	26,042	1.9
Cibus	18,575	1.3
Fastighets Balder	17,734	1.3
Castellum	13,908	1.0
Catena	9,586	0.7
Samhallsbyggnadsbolaget	5,873	0.4
Nyfosa	3,652	0.2
Pandox	3,540	0.2
	165,915	11.9
Switzerland		
PSP	31,044	2.2
	31,044	2.2
United Kingdom		
SEGRO	47,561	3.4
Unite Group	33,280	2.4
Safestore Holdings	31,565	2.3
Assura	29,168	2.1
Landsec	28,757	2.1
LondonMetric Property	27,552	2.0
Stenprop	26,988	1.9
CLS Holdings	24,095	1.7
Phoenix	23,059	1.7
Supermarket Income REIT	17,302	1.2
McKay Securities	16,275	1.2

Derwent London	15,120	1.1
Sirius	14,239	1.0
Secure Income REIT	11,507	0.8
Great Portland Estates	9,346	0.7
Picton	7,439	0.5
PRS REIT	7,187	0.5
Target Healthcare	4,936	0.4
Primary Health Properties	3,813	0.3
Atrato Capital	898	0.1
Shaftesbury	608	-
Capital & Regional	543	-
	381,238	27.4
Direct Property	91,579	6.6
CFD Positions (included in current liabilities)	(2,066)	(0.1)
Total Investment Positions	1,391,303	100.0

Companies shown by country of listing

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 30 September 2020

	(Unaudited) Half year ended 30 September 2020			(Unaudited) Half year ended 30 September 2019			(Audited) Year ended 31 March 2020		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Income									
Investment income	24,825	-	24,825	31,141	-	31,141	47,112	-	47,112
Other operating income	2	-	2	13	-	13	35	-	35
Gross rental income	1,612	-	1,612	1,763	-	1,763	3,415	-	3,415
Service charge income	516	-	516	1,039	-	1,039	1,786	-	1,786
Gains/(losses) on investments held at fair value	-	169,161	169,161	-	79,313	79,313	-	(153,614)	(153,614)
Net movement on foreign exchange; investments and loan notes	-	(659)	(659)	-	6,881	6,881	-	11,296	11,296
Net movement on foreign exchange; cash and cash equivalents	-	430	430	-	(41)	(41)	-	302	302
Net returns on contracts for difference	1,923	(13,489)	(11,566)	4,365	(2,174)	2,191	5,724	(41,276)	(35,552)
Net return on total return swap	-	-	-	-	-	-	-	(3,808)	(3,808)
Total income	28,878	155,443	184,321	38,321	83,979	122,300	58,072	(187,100)	(129,028)

Expenses									
Management and performance fees (note 2)	(759)	(11,774)	(12,533)	(769)	(4,390)	(5,159)	(1,570)	(7,392)	(8,962)
Direct property expenses, rent payable and service charge costs	(679)	-	(679)	(1,168)	-	(1,168)	(1984)	-	(1,984)
Other administrative expenses	(610)	(297)	(907)	(625)	(302)	(927)	(1,398)	(615)	(2,013)
Total operating expenses	(2,048)	(12,071)	(14,119)	(2,562)	(4,692)	(7,254)	(4,952)	(8,007)	(12,959)
Operating profit/(loss)	26,830	143,372	170,202	35,759	79,287	115,046	53,120	(195,107)	(141,987)
Finance costs	(328)	(983)	(1,311)	(412)	(1,236)	(1,648)	(814)	(2,443)	(3,257)
Profit/(loss) from operations before tax	26,502	142,389	168,891	35,347	78,051	113,398	52,306	(197,550)	(145,244)
Taxation	(2,237)	1,299	(938)	(3,737)	1,954	(1,783)	(5,912)	3,149	(2,763)
Total comprehensive income	24,265	143,688	167,953	31,610	80,005	111,615	46,394	(194,401)	(148,007)
Earnings/(loss) per Ordinary share (note 3)	7.65p	45.28p	52.93p	9.96p	25.21p	35.17p	14.62p	(61.26p)	(46.64)p

The total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The Group does not have any other income or expense that is not included in the above statement therefore "Total comprehensive income" is also the profit for the period.

All income is attributable to the shareholders of the parent company.

The final Ordinary dividend of 8.80p (2019: 8.60p) in respect of the year ended 31 March 2020 was declared on 29 May 2020 (2019: 30 May 2019) and was paid on 4 August 2020 (2019: 30 July 2019). This can be found in the Group Statement of Changes in Equity for the half year ending 30 September 2020.

The interim Ordinary dividend of 5.20p (2020: 5.20p) in respect of the year ended 31 March 2021 was declared on 27 November 2020 (2020: 28 November 2019) and will be paid on 8 January 2021 (2020: 7 January 2020).

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 September 2020 (Unaudited)	Share Capital Ordinary £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Total £'000
At 31 March 2020	79,338	43,162	43,971	969,982	1,136,453
Net profit for the half year	-	-	-	167,953	167,953
Dividends paid	-	-	-	(27,927)	(27,927)
At 30 September 2020	79,338	43,162	43,971	1,110,008	1,276,479
	Share	Share	Capital	Retained	Total

	Capital Ordinary £'000	Premium Account £'000	Redemption Reserve £'000	Earnings Ordinary £'000	£'000
For the half year ended 30 September 2019 (Unaudited)					
At 31 March 2019	79,338	43,162	43,971	1,161,783	1,328,254
Net profit for the half year	-	-	-	111,615	111,615
Dividends paid	-	-	-	(27,292)	(27,292)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2019	79,338	43,162	43,971	1,246,106	1,412,577
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	Share Capital Ordinary £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Total £'000
For the year ended 31 March 2020 (Audited)					
At 31 March 2019	79,338	43,162	43,971	1,161,783	1,328,254
Net profit for the year	-	-	-	(148,007)	(148,007)
Dividends paid	-	-	-	(43,794)	(43,794)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	79,338	43,162	43,971	969,982	1,136,453
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

GROUP BALANCE SHEET as at 30 September 2020

	30 September 2020 (Unaudited) £'000	30 September 2019 (Unaudited) £'000	31 March 2020 (Audited) £'000
Non-current assets			
Investments held at fair value	1,393,369	1,423,356	1,155,295
Deferred taxation asset	-	74	-
	<hr/>	<hr/>	<hr/>
	1,393,369	1,423,430	1,155,295
Current assets			
Debtors	50,380	70,503	60,094
Cash and cash equivalents	17,857	40,503	40,129
	<hr/>	<hr/>	<hr/>
	68,237	111,006	100,223
Current liabilities	(124,773)	(62,625)	(59,711)
	<hr/>	<hr/>	<hr/>
Net current (liabilities)/assets	(56,536)	48,381	40,512
Total assets less current liabilities	1,336,833	1,471,811	1,195,807
Non-current liabilities	(60,354)	(59,234)	(59,354)
	<hr/>	<hr/>	<hr/>
Net assets	1,276,479	1,412,577	1,136,453
	<hr/>	<hr/>	<hr/>
Capital and reserves			
Called up share capital	79,338	79,338	79,338
Share premium account	43,162	43,162	43,162

Capital redemption reserve	43,971	43,971	43,971
Retained earnings (note 7)	1,110,008	1,246,106	969,982
Equity shareholders' funds	1,276,479	1,412,577	1,136,453
Net asset value per:			
Ordinary share	402.23p	445.12p	358.11p

GROUP CASH FLOW STATEMENT

For the half year ended 30 September 2020

	Half year ended 30 September 2020 (Unaudited) £'000	Half year ended 30 September 2019 (Unaudited) £'000	Year ended 31 March 2020 (Audited) £'000
Reconciliation of profit/(loss) from operations before tax to net cash inflow from operating activities			
Profit/(loss) from operations before tax	168,891	113,398	(145,244)
Finance costs	1,311	1,648	3,257
(Gains)/losses on investments and derivatives held at fair value through profit or loss	(155,672)	(77,139)	198,698
Net movement on foreign exchange; cash and cash equivalents and loan notes	678	1,191	859
Decrease in accrued income	1,987	1,745	584
(Increase)/decrease in other debtors	(4,028)	(16,618)	4,447
Increase/(decrease) in other creditors	2,985	(2,628)	2,047
Net (purchases)/sales of investments	(68,538)	(58,374)	(66,833)
Decrease/(increase) in sales settlement debtor	3,444	3,583	(1,417)
(Decrease)/ increase in purchase settlement creditor	(5,975)	(1,474)	4,501
Scrip dividends included in investment income	(5,903)	(3,310)	(3,370)
Scrip dividends included in net returns on contracts for difference	(1,007)	(439)	(448)
Net cash outflow from operating activities before interest and taxation	(61,827)	(38,417)	(2,919)
Interest paid	(1,302)	(1,777)	(3,421)
Taxation paid	(1,646)	(1,252)	(2,321)
Net cash outflow from operating activities	(64,775)	(41,446)	(8,661)
Financing activities			
Equity dividends paid	(27,927)	(27,292)	(43,794)
Drawdown of loans	70,000	57,000	40,000
Net cash from/(used in) financing activities	42,073	29,708	(3,794)

Decrease in cash	(22,702)	(11,738)	(12,455)
Cash and cash equivalents at start of the period	40,129	52,282	52,282
Net movement on foreign exchange; cash and cash equivalents	430	(41)	302
Cash and cash equivalents at end of the period	17,857	40,503	40,129
Note			
Dividends received	27,727	38,185	52,003
Interest received	3	14	37

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of accounting

The accounting policies applied in these interim financial statements are consistent with those applied in the Company's most recent annual financial statements. The financial statements have been prepared on a going concern basis and in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

The financial statements have also been prepared in accordance with the Statement of Recommended Practice (SORP), "Financial Statements of Investment Trust Companies and Venture Capital Trusts," issued in October 2019, to the extent that it is consistent with IFRS.

In assessing going concern the Board has made a detailed assessment of the ability of the Company and Group to meet its liabilities as they fall due, including stress and liquidity tests which considered the effects of substantial falls in investment valuations, substantial reductions in revenue received and reductions in market liquidity including the effects and potential effects of the current economic impact caused by the Coronavirus pandemic.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

In accordance with IFRS 10, the Company has been designated as an investment entity on the basis that:

- It obtains funds from investors and provides those investors with investment management services;
- It commits to its investors that its business purpose is to invest solely for returns from capital appreciation and investment income; and
- It measures and evaluates performance of substantially all of its investments on a fair value basis.

Each of the subsidiaries of the Company was established for the sole purpose of operating or supporting the investment operations of the Company (including raising additional financing), and is not itself an investment entity. IFRS 10 sets out that in the case of controlled entities that support the investment activity of the investment entity, those entities should be consolidated rather than presented as investments at fair value. Accordingly, the Company has consolidated the results and financial positions of those subsidiaries.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising therefrom, are eliminated. This is consistent with the presentation in previous periods.

All the subsidiaries of the Company have been consolidated in these financial statements.

The following International Reporting Standards' amendments and Framework have been applied in the preparation of the interim financial statements:

IFRS 3 amendments (effective 1 January 2020). The amendments provide more guidance on the definition of a business to assist in determining whether a transaction results in an asset or a business acquisition. The

amendments did not have a material impact on the Group's financial statements.

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 1 January 2020). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk free interest rate. The amendments did not have a material impact on the Group's financial statements.

Amendments to IAS 1 and IAS 8 – Definition of Material (effective 1 January 2020) The International Accounting Standards Board has refined its definition of “material” and issued practical guidance on applying the concept of materiality. The amendments did not have a material impact on the Group's financial statements.

The Conceptual Framework for Financial Reporting (effective 1 January 2020). The Conceptual Framework is not a standard however its purpose is to outline a set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in understanding and interpreting the standards.

2 Management fees

	(Unaudited) Half year ended 30 September 2020			(Unaudited) Half year ended 30 September 2019			(Audited) Year ended 31 March 2020		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Management fee	759	2,279	3,038	769	2,306	3,075	1,570	4,709	6,279
Performance fee	-	9,495	9,495	-	2,084	2,084	-	2,683	2,683
	<u>759</u>	<u>11,774</u>	<u>12,533</u>	<u>769</u>	<u>4,390</u>	<u>5,159</u>	<u>1,570</u>	<u>7,392</u>	<u>8,962</u>

A provision has been made for a performance fee based on the net assets at 30 September 2020. No payment is due until the full year performance fee is calculated at 31 March 2021.

3 Earnings/(loss) per Ordinary share

The earnings/(loss) per Ordinary share can be analysed between revenue and capital, as below.

	Half year ended 30 September 2020 (Unaudited) £'000	Half year ended 30 September 2019 (Unaudited) £'000	Year ended 31 March 2020 (Audited) £'000
Net revenue profit	24,265	31,610	46,394
Net capital profit/(loss)	143,688	80,005	(194,401)
Net total profit/(loss)	<u>167,953</u>	<u>111,615</u>	<u>(148,007)</u>
Weighted average number of Ordinary shares in issue during the period	317,350,980	317,350,980	317,350,980
	pence	pence	pence
Revenue earnings per Ordinary share	7.65	9.96	14.62
Capital earnings/(loss) per Ordinary share	45.28	25.21	(61.26)
Earnings/(loss) per Ordinary share	<u>52.93</u>	<u>35.17</u>	<u>(46.64)</u>

4 Changes in share capital

During the half year and since 30 September 2020 no Ordinary shares have been purchased and cancelled.

As at 30 September 2020 there were 317,350,980 Ordinary shares (30 September 2019: 317,350,980; 31 March 2020: 317,350,980 Ordinary shares) of 25p in issue.

5 Going concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to meet its liabilities as and when they fall due and continue in operational existence for the foreseeable future.

6 Fair value of financial assets and financial liabilities

Financial assets and financial liabilities are carried in the Balance Sheet either at their fair value (investments) or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals and cash at bank).

Fair value hierarchy disclosures

The table below sets out fair value measurements using IFRS 13 fair value hierarchy.

Financial assets/(liabilities) at fair value through profit and loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 30 September 2020				
Equity investments	1,300,893	-	897	1,301,790
Investment properties	-	-	91,579	91,579
Contracts for difference	-	(2,066)	-	(2,066)
Foreign exchange forward contracts	-	2,427	-	2,427
	1,300,893	361	92,476	1,393,730
At 30 September 2019				
Equity investments	1,332,042	-	377	1,332,419
Investment properties	-	-	90,937	90,937
Contracts for difference	-	4,139	-	4,139
	1,332,042	4,139	91,314	1,427,495
At 31 March 2020				
Equity investments	1,060,103	-	682	1,060,785
Investment properties	-	-	94,510	94,510
Contracts for difference	-	8,698	-	8,698
Total return swap	-	(3,808)	-	(3,808)
Foreign exchange forward contracts	-	(5,609)	-	(5,609)
	1,060,103	(719)	95,192	1,154,576

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in an active market for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Contracts for Difference are synthetic equities and are valued by reference to the investments' underlying market values.

Valuations of Investment Properties – Level 3

The Group carries its investment properties at fair value in accordance with IFRS 13, revalued twice a year, with changes in fair values being recognised in the Group Statement of Comprehensive Income. The Group engaged Knight Frank LLP as independent valuation specialists to determine fair value as at 30 September 2020.

Determination of the fair value of investment properties has been prepared on the basis defined by the RICS Valuation – Global Standards (The Red Book Global Standards) as follows:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The valuation takes into account future cash flow from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These assumptions are based on local market conditions existing at the balance sheet date.

In arriving at their estimates of fair values as at 30 September 2020, the valuers have used their market knowledge and professional judgement and have not only relied solely on historical transactional comparables.

Reconciliation of movements in Financial assets categorised as level 3

At 30 September 2020	31 March 2020 £'000	Purchases £'000	Sales £'000	Appreciation/ (Depreciation) £'000	30 September 2020 £'000
Unlisted equity investments	682	-	-	215	897
Investment properties					
- Mixed use	52,623	52	(322)	(2,439)	49,914
- Office & Industrial	41,887	74	-	(296)	41,665
	94,510	126	(322)	(2,735)	91,579
	95,192	126	(322)	(2,520)	92,476

Transfers between hierarchy levels

There were no transfers between any levels during the period.

Sensitivity information

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of investment properties are:

- Estimated rental value: £6.5 – £65 per sq ft
- Capitalisation rates: 2.0% - 6.0%

Significant increases (decreases) in estimated rental value and rent growth in isolation would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in capitalisation rates in isolation would result in a significantly lower (higher) fair value measurement.

Loan Notes

On the 10 February 2016, the Company issued 1.92% Unsecured Euro 50,000,000 Loan Notes and 3.59% Unsecured GBP 15,000,000 Loan Notes which are due to be redeemed at par on the 10 February 2026 and 10 February 2031 respectively.

The fair value of the 1.92% Euro Loan Notes at 30 September 2020 was £45,956,000 (30 September 2019: £44,429,000) and (31 March 2020: £44,418,000).

The fair value of the 3.59% GBP Loan Notes at 30 September 2020 was £15,794,000 (30 September 2019: £15,566,000) and (31 March 2020: £15,553,000).

Using the IFRS 13 fair value hierarchy the Loan Notes are deemed to be categorised within Level 2.

The loan notes agreement requires compliance with a set of financial covenants, including:

- Total Borrowings shall not exceed 33% of Adjusted Net Asset Value;
- the Adjusted Total Assets shall at all times be equivalent to a minimum of 300% of Total Borrowings; and
- the Adjusted NAV shall not be less than £260,000,000.

The Company and Group complied with the terms of the loan notes agreement throughout the half year period.

Multi-currency revolving loan facilities

The Group also has unsecured, multi-currency, revolving short-term loan facilities totalling £110,000,000 (30 September 2019: £65,000,000) and (31 March 2020: £110,000,000). At 30 September 2020, £110,000,000 was drawn on these facilities (30 September 2019: £57,000,000) and (31 March 2020: £40,000,000). The fair value is considered to approximate the carrying value and the interest is paid at a margin over LIBOR.

7 Retained Earnings

	Half year ended 30 September 2020 (Unaudited) £'000	Half year ended 30 September 2019 (Unaudited) £'000	Year ended 31 March 2020 (Audited) £'000
Investment holding gains	354,216	479,787	206,072
Realised capital reserves	686,692	691,839	691,148
	<hr/>	<hr/>	<hr/>
	1,040,908	1,171,626	897,220
Revenue reserve	69,100	74,480	72,762
	<hr/>	<hr/>	<hr/>
	1,110,008	1,246,106	969,982
	<hr/>	<hr/>	<hr/>

8 Related Party Transactions

There have been no material related party transactions during the period and no changes to related parties.

During the period Thames River Capital charged management fees as detailed in Note 2.

The remuneration of the directors has been determined in accordance with rates outlined in the Directors' Remuneration Report in the Annual Report.

9 Comparative information

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in section 435(1) of the Companies Act 2006. The financial information for the half year periods ended 30

September 2020 and 30 September 2019 has not been audited or reviewed by the Group auditors. The figures and financial information for the year ended 31 March 2020 are an extract from the latest published accounts and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the report of the auditors, which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

Disclaimer

The loan notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Act") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Act. This notice is for information only, does not constitute an offer to sell or the solicitation of an offer to buy any security and shall not constitute an offer, solicitation or sale of any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

This announcement and the information contained herein is not for publication, distribution or release in, or into, directly or indirectly, the United States, Canada, Australia or Japan and does not constitute, or form part of, an offer of securities for sale in or into the United States, Canada, Australia or Japan.

The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States unless they are registered under the Securities Act or pursuant to an available exemption therefrom. The Company does not intend to register any portion of securities in the United States or to conduct a public offering of the securities in the United States. The Company will not be registered under the U.S. Investment Companies Act of 1940, as amended, and investors will not be entitled to the benefits of that Act.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities referred to herein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities law of any such jurisdiction.

The contents of this announcement include statements that are, or may be deemed to be "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should". They include the statements regarding the target aggregate dividend. By their nature, forward-looking statements involve risks and uncertainties and readers are cautioned that any such forward-looking statements are not guarantees of future performance. The Company's actual results and performance may differ materially from the impression created by the forward-looking statements. The Company undertakes no obligation to publicly update or revise forward-looking statements, except as may be required by applicable law and regulation (including the Listing Rules). No statement in this announcement is intended to be a profit forecast.

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