



Thames River PROPERTY GROWTH & INCOME Fund

(Thames River Property, Growth & Income Fund Ltd)

LONG ONLY UK DIRECT PROPERTY & PAN EUROPEAN PROPERTY EQUITIES

Manager Commentary – by Marcus Phayre-Mudge / James Wilkinson

The positive note on which pan European real estate equities finished 2009 carried only briefly into 2010. To be precise, only until the 5th January and it has broadly been a slide downwards since then with the FTSE EPRA/NAREIT Europe (in EUR) returning -1.7% in January. However this single number hides an important differentiation between the UK and Continental Europe. Europe ex UK returned +0.01% (in EUR) whilst the UK fell -4.8% (in EUR). Because the Euro weakened against Sterling (-2.3%) in the month, the UK in local currency fell over -7%, the largest monthly fall since the broad rally started in March 2009. Why? The asset class remains a leveraged one and the deterioration in attitude to risk is partially responsible. For the UK, the large cap stocks had run ahead of their forecast year end asset values with strong price finishes to 2009. As 2010 got underway investors found it hard to buy at premiums to near term NAVs. Rental growth outside of a few hot spots (Central London) remains weak or worse and quite rightly investors need substantive yield compensation if rental growth is sometime away. Whilst UK real estate equities are slipping back towards fair value, the underlying physical market continues to push upwards driven by competition for prime assets. Q4 2009 saw the fastest capital growth in IPD for 20 years (+8.8%) and January saw it continue (+1.0%) albeit at a slower pace than the end of last year. Investors are seeking secure, long income streams and retail money is once again flowing back into the open-ended vehicles (many of which were closed to redemptions only 12 months ago - when will investors learn that 'open-ended' and 'real estate' do not sit comfortably in the same sentence?). For Property Growth & Income, the month saw a return of -1.56% (GBP Accum.) which reflected the 1% fall in the value of the physical property portfolio. Our assets are high yielding (+10% pa) and we have been able to retain all our tenants (bar one who was replaced at a higher rent) through the last two years. However, the improvement in the broader market has been principally in lower yielding prime properties. The balance of the fund towards equities (66%) was also a negative influence last month. However, the fund had less than 1% exposure to UK stocks (the worst performing submarket) and as prices re-entered value ranges (following falls of 7% in January) I have begun to add to our UK equity positions.

Fund Performance to 29 Jan 2010

	NAV Per Share	Redemption Price	1 Month	YTD	1 Year Fund	1 Year Index	3 Year Fund	3 Year Index	Since Inception Fund	Since Inception Index
Class A £ Acc	£12.49	+11.82	-0.95%	-0.95%	+19.29%	+22.51%	-26.23%	-31.45%	+24.90%	+10.32%
Class A £ Inc	£10.52	+9.95	-0.85%	-0.85%	+26.66%	+22.51%	-21.65%	-31.45%	+32.56%	+10.32%
Class B € Acc	€11.86	+11.23	-0.84%	-0.84%	+19.92%	+22.94%	-27.37%	-34.49%	+18.60%	+1.45%
Class B € Inc	€9.98	+9.45	-0.84%	-0.84%	+19.99%	+22.94%	-27.38%	-34.49%	+18.94%	+1.45%
Class C NOK Inc	NOK72.24	+68.38	-0.92%	-0.92%	+19.32%	+25.71%	-27.60%	-28.94%	-13.70%	-16.73%
Class D AUD Acc	\$17.84	+16.89	-0.72%	-0.72%	+19.81%	+25.57%	-26.71%	-28.34%	-10.80%	-19.75%
Class D AUD Inc	\$15.36	+14.53	-0.77%	-0.77%	+19.50%	+25.57%	-26.60%	-28.34%	-11.14%	-19.75%

Source: Northern Trust IFAS (Ireland) Ltd/ IPD/ EPRA. Above rolling returns are cumulative. Refer to back of the monthly newsletter for dividend information and monthly / annual return history vs benchmark. Note: NAV per share monthly return calculated net of fees. N.B. Historical performances for distribution share classes may vary from previous issues of the Thames River newsletters. This follows an improvement in the performance calculation methodology (from monthly to daily cumulative), in order to be in line with Global Investment Performance Standards.

Geographic Allocation %	Asset Allocation %
Austria	2.6
Belgium	2.0
Bulgaria	0.3
Finland	2.1
France	26.9
Germany	1.2
Greece	0.3
Italy	0.3
Luxembourg	1.3
Netherlands	13.2
Norway	0.5
Sweden	7.2
Switzerland	4.5
UK (Direct)	29.7
UK (Indirect)	1.1
Cash	6.8
Total	100.0

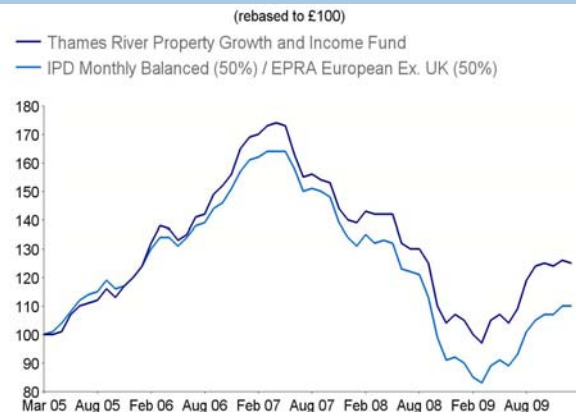
Sector Allocation % (Direct Property)	
Industrial	4.2
Offices	22.2
Retail/Offices	3.3
Total	29.7

Top 10 Equity Holdings %	
Unibail	16.5
Corio	5.8
Klepierre	2.6
Castellum	2.6
PSP Swiss Property	2.5
Eurocommercial Properti-	2.2
Fonciere Des Regions	2.1
Gecina	2.0
Swiss Prime Site	2.0
CA Immobilien Anlagen	1.7

Note: Previous 12 months' dividends, divided by current fund price (excluding equalisation)

©"View of No. 51 from Berkeley Square" by Christopher Johnson

NAV per Share Price Performance 23.03.2005 To 29.01.2010



Source: Northern Trust IFAS (Ireland) Ltd. IPD, EPRA, TRC

£ Class Statistics Since Inception

Annualised Return	+4.6%
Volatility (Standard Deviation)	13.4%
Worst Drawdown	-44.1%
Information Ratio	0.73

Note: NAV per share monthly return calculated net of fees. Benchmark - 50% direct property (IPD Monthly Balanced Index) and equity (EPRA European (ex UK) Index). Source: Northern Trust IFAS (Guernsey) Ltd. Bloomberg, Petrac. Start date 31.03.05.

Fund Objective

The fund aims to provide quarterly dividend income together with capital appreciation by investing in UK direct commercial property and pan European property equities.

* these classes will apply for distributor status annually.
** 15% of any absolute outperformance of benchmark (see above) with a high watermark.

Fund Size (Mn)

£80.3
£ (base)/€/NOK/AUD (hedged)

Share Classes

£/€10 on 23/05/2005
NOK100 (excluding dilution factor)/AUD20 on 06/04/2006

Launch Price

Daily
£5,000/ €7,500/ NOK100,000/ AUD10,000

NAV Frequency

Minimum

Daily
CISX

Dealing

Listing

Open ended Guernsey Class B
Quarterly (Feb, May, Aug, Nov)

Legal Status

Dividends

Unit Type

Charges

Accumulation or Income*

Initial Charge Up to 5%

Management Fee 1.5%

Performance Fee 15%**

Redemption Fee 3% (6 months)

Investment

Adviser

Custodian

Manager & Administrator

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<http://www.thamesriver.co.uk/downloads/disclosures.htm> <http://www.nevskycapital.com/downloads/disclosures.htm>

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