



Thames River PROPERTY GROWTH & INCOME Fund

(Thames River Property Growth & Income Fund Limited)
LONG ONLY UK DIRECT PROPERTY & PAN EUROPEAN PROPERTY EQUITIES

Adviser Commentary – by Marcus Phayre-Mudge

Pan European real estate equity markets broadly paused for breath in May following the dramatic recovery in share prices from mid March. EPRA Europe rose +1% (in EUR) over the month but that brought the rally to just over 40% from the low. At the regional level, Continental Europe rose 3.2% whilst the UK stocks fell 4.6% (in GBP). The fund has just 0.5% of the net assets invested in UK equities. The rally which began in mid March and ran until 7th May, has been followed by a sideways move since then. This sharp improvement in prices was amplified in those businesses which had previously been priced to fail (this was examined in April's commentary). Although investors' appetite for risk has risen we do not see an immediate solution to the weakened balance sheets which are a core characteristic of these poorer stocks. The subsequent price retrenchment does not come as a surprise. France was the strongest mover by country, rising by 4.5% (in EUR). It also accounts for 46.8% of the equity benchmark (23.4% of the overall benchmark). The fund is overweight French stocks which as a group are dominated by exposure to the Paris office market and regional shopping centres. Unibail, the largest property company in Europe accounts for over half the French exposure. It has an earnings yield of over 8.3% and a conservative loan to value of 30%. The majority of annual paying dividends are received in late April and May. A number of companies have offered attractive scrip dividends (at prices well below current share prices) as a way of increasing the equity on their balance sheets. The fund took up scrip dividends in Klepierre, Wereldhave, Corio and Fonciere des Regions in the month. The physical portfolio fell 1.16% in value in the month, broadly in line with the benchmark which fell 1.53% in capital value. We continue to progress the renewal of leases on office space in Reading, Sheffield and Hatfield. In each case, we are extending the length of each tenancy. In these economic conditions maintenance of rental income is paramount. The physical portfolio accounts for 34% of the net assets against a benchmark of 50%. Although yields for prime assets are showing some signs of stabilisation, properties with weaker tenants or short income streams will continue to weaken. Holding cash alongside the underweight in physical property has protected investors' capital. The property portfolio now yields over 9.5% and this is a valuable source of income as earnings from cash have dried up. Whilst the open market valuation of the portfolio declined slightly, the hypothetical 'fire sale' valuation increased in value by 25% as the independent valuers reflected the improving market sentiment. The consequence of this improvement was to reduce the bid-offer spread. The combined benchmark returned 1.79% (GBP Acc) leading to 27bps of underperformance.

Fund Performance to 29 May 2009

	NAV per share	Redemption Price	May 2009	YTD	1 Yr Fund	1 Yr Index	3 Yr Fund	3 Yr Index
Class A £ Acc	£10.67	9.57	+1.52%	-0.65%	-24.59%	-31.08%	-19.89%	-30.57%
Class A £ Inc	£9.29	8.33	+1.30%	-0.63%	-22.32%	-31.08%	-17.17%	-30.57%
Class B € Acc	€10.11	9.07	+1.61%	+0.20%	-24.61%	-31.92%	-22.11%	-34.34%
Class B € Inc	€8.79	7.88	+1.35%	+0.19%	-22.11%	-31.92%	-19.17%	-34.34%
Class C NOK Inc	NOK63.96	57.39	+1.37%	-0.21%	-23.04%	-29.39%	-20.22%	-30.32%
Class D AUD Acc	\$15.21	13.65	+1.54%	-0.20%	-24.93%	-29.99%	-	-
Class D AUD Inc	\$13.55	12.16	+1.30%	-0.38%	-23.45%	-29.99%	-	-

Above rolling returns are cumulative. Refer to the monthly newsletter – Page 36 for dividend information and Page 32 for monthly / annual return history vs benchmark.

Note: NAV per share monthly return calculated net of fees. Class A and B performance numbers relate to Acc share class.

If benchmark is an estimate (E) - Direct Equity portion (IPD Monthly Balanced Index) is previous month's figure, EPRA Pan European (ex UK) Index is the actual for current month.

Geographic Allocation %

Austria	0.6
Belgium	0.6
Bulgaria	0.4
Finland	1.3
France	27.8
Germany	0.5
Greece	0.3
Italy	0.6
Luxembourg	0.7
Netherlands	10.4
Sweden	5.1
Switzerland	2.0
UK (Indirect)	0.5
UK (Direct)	32.2
Cash	17.0
Total	100.0

GBP Historic Yield 5.4
Euro Historic Yield 5.5

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

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

Asset Allocation %

Continental Shares	50.3
UK Direct Property	32.2
Cash	17.0
UK Shares	0.5
Total	100.0

Sector Allocation % (Direct Property)

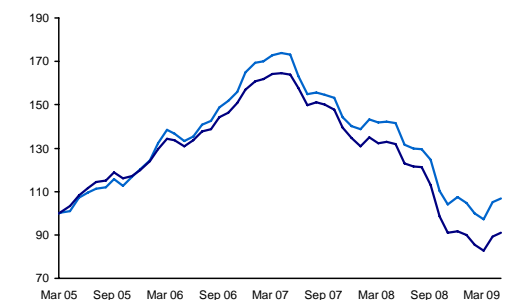
Industrial	4.0
Offices	25.1
Retail/Offices	3.1
Total	32.2

Top 10 Equity Holdings %

Unibail	17.1
Corio	4.6
Klepierre	3.2
Wereldhave	3.1
Castellum	2.8
Icade	2.2
PSP Swiss Property	2.0
Fonciere Des Regions	1.8
Silic	1.6
Eurocommercial	1.4

NAV per share Price Performance 23.03.05 (rebased to £100) to 29.05.09

— Thames River Property Growth & Income
Fund £ Acc
— IPD (50%) / EPRA (50%) £



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

£ Class Statistics Since Inception*

Annualised Return	+1.54%
Volatility (Standard Deviation)	13.1%
Worst Drawdown	-44.1%
Information Ratio	1.03

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, TRC, Pertrac. * 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.

† this fund will apply for distributor status annually.

‡ 15% of any absolute outperformance of benchmark (see above) with a high watermark.



Fund Size (Mn)

Share Classes	£79.6
Launch Price	£ (base) / € / NOK / AUD (hedged) £/€ 10 on 23 Mar 2005 NOK100 (excluding dilution factor) / AUD20 on 6 Apr 2006
Minimum Legal Status	£5,000 / €7,500 / NOK100,000 / AUD10,000
Dealing Listing	Open ended Guernsey Class B Daily CISX
Dividends	Quarterly (Feb, May, Aug, Nov)
Unit type	Accumulation or Income†
Charges	
Initial Charge	Up to 5%
Management Fee	1.5%
Performance Fee	15%‡
Redemption Fee	3% (6 months)

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Potential investors should follow the links below for information on any current side letters relating to the schemes.
<http://www.thamesriver.co.uk/downloads/disclosures.htm> <http://www.nevskycapital.com/downloads/disclosures.htm>

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For a full list of Paying Agents' details, please follow the following links: http://www.thamesriver.co.uk/pdf/paying_agents.pdf

http://www.nevskycapital.com/pdf/paying_agents.pdf

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Prices available from:

	Class A - £ Acc	Class A - £ Inc	Class B - € Acc	Class B - € Inc	Class C - NOK Inc	Class D - AUD Acc	Class D - AUD Inc
Bloomberg	TRPGIAA	TRPGIAI GU	TRPGIBA GU	TRPGIBI GU	TRPGICI GU	TRPGIDA GU	TRPGIDI GU
Datastream	30727Q	30868L	30745W	30745V	36276W	35705T	36276X
FT (Mex ID)	TFPGA	TFPGI	TFPEA	TFPEI	TFPGNK	TFPGDA	TFPGDD
ISIN	GB00B06L0732	GB00B06KZT77	GB00B06L0B75	GB00B06L0955	GB00B128S931	GB00B128S824	GB00B128RV82
Lipper	65004375	65004374	65004373	65004372	65028142	65028143	65028144
Tass							
Reuters (TRCHL)	TRCHL2	TRCHL2	TRCHL2	TRCHL2	TRCHL2	TRCHL2	TRCHL2
Sedol	B06L073	B06KZ77	B06L0B7	B06L095	B128S93	B128S82	B128RV8
S&P/Morningstar	208564	208563	208607	208606	220772	220771	220770
Telekurs	CH2099363	CH2099349	CH2099378	CH2099368	CH2608374	CH2608417	CH2608402
WKN	A0D9Q0	A0D9QZ	A0D9Q2	A0D9Q1	A0LCTZ	A0LCT1	A0LCT0

