

## Hermes Property Unit Trust

### INVESTMENT POLICY AND OBJECTIVES

To invest in a diversified portfolio of UK commercial properties, including, where appropriate, investments in indirect vehicles and joint ownership structures that offer access to attractive asset portfolios and specialist management teams.

The Trust's objective is to outperform Other Balanced Property Funds component of The MSCI/AREF UK Quarterly Property Fund Index in the medium to long term through a combination of income and capital appreciation.

### INVESTOR CONSTITUENCY

The Trust is open to investment by exempt funds (UK pension funds, charities and investment trusts).

#### Fund details

Type of fund	Unauthorised exempt unit trust
Residence	United Kingdom
Launch date	1967.00
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	25th March
NAV (GBPm)	1493.7

Source: Hermes Real Estate Investment Management Ltd

#### Management/professional advisors

Manager	Hermes Alternative Investment Management Limited
Property Investment Manager	Hermes Real Estate Investment Management Limited
Investment Advisor	
Portfolio Manager	Chris Mathew
Corporate trustee	National Westminster Bank Plc
Auditors	PricewaterhouseCoopers LLP

Source: Hermes Real Estate Investment Management Ltd

#### Investment rates of return, %

	Hermes Property Unit Trust	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
3 months	0.4	0.31	0.30	-0.02
Year-to-date	2.5	1.78	1.59	0.74
12 months	2.5	1.78	1.59	0.74
3 years+	7.4	6.53	6.02	5.27
5 years+	8.6	7.20	6.62	5.97
10 years+	9.9	8.10	7.73	7.73

Source: MSCI/AREF UK Quarterly Property Fund Index (Sponsored by PropertyMatch)

#### Property investment restrictions

Maximum development exposure	10% of gross asset value
Maximum speculative development exposure	
Maximum lot-size holding as a standing investment	10% of gross asset value
Maximum lot-size holding permitted at purchase	10% of gross asset value
Maximum exposure to limited partnerships	10% of gross asset value
Maximum exposure to joint ventures	10% of gross asset value
Maximum exposure to closed and open-ended property unit trusts	10% of gross asset value

Source: Hermes Real Estate Investment Management Ltd

## Portfolio distribution %

	Hermes Property Unit Trust	MSCI/AREF UK Quarterly Property Fund Index**		
		Other balanced funds	All balanced funds	All funds
Standard retail – South East	7.3	7.4	6.8	5.6
Standard retail – Rest of UK	0.5	3.0	3.2	3.6
Shopping centres	1.6	1.3	2.0	6.6
Retail warehouses	7.9	12.3	12.0	10.8
<b>All UK retail</b>	<b>17.3</b>	<b>24.0</b>	<b>23.9</b>	<b>26.5</b>
City offices	4.6	3.6	3.3	2.9
West End offices	7.5	7.6	8.0	6.7
Rest of South East offices	15.6	11.6	10.8	7.6
Rest of UK offices	6.9	6.3	5.9	5.0
<b>All UK offices</b>	<b>34.6</b>	<b>29.1</b>	<b>28.0</b>	<b>22.2</b>
South East industrial	25.1	19.6	19.9	15.9
Rest of UK industrial	4.2	10.5	10.2	8.3
<b>All UK industrial</b>	<b>29.3</b>	<b>30.1</b>	<b>30.1</b>	<b>24.2</b>
Other UK properties	11.2	11.7	10.7	21.4
Cash***	7.6	5.1	7.3	5.7
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Sources: \* Hermes Real Estate Investment Management Ltd

\*\*MSCI/AREF UK Quarterly Property Fund Index (Sponsored by PropertyMatch)

## Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	77	1,380.8	100.0
Joint and indirect holdings	0	0	0.0
Listed investments	0	0	0.0
<b>Total</b>	<b>77</b>	<b>1,380.8</b>	<b>100.0</b>

Source: Hermes Real Estate Investment Management Ltd

## Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
MAYBIRD SHOPPING PARK	STRATFORD-UPON-AVON	Retail Park	75-85	5.4
8/10,GREAT GEORGE STREET,LONDON,SW1P 3AE	LONDON	Office	55-65	4.7
BROKEN WHARF HOUSE	LONDON	Other	55-65	4.3
POLAR PARK	WEST DRAYTON	Industrial	45-55	4.0
HORNDON INDUSTRIAL ESTATE	BRENTWOOD	Industrial	45-55	3.7
SOHO SQUARE	LONDON	Office	45-55	3.5
SAINSBURYS	BEACONSFIELD	Supermarkets	35-45	3.1
THE ROUND FOUNDARY & MARSHALL MILL	LEEDS	Office	35-45	2.9
CAMDEN WORKS	LONDON	Office	35-45	2.8
BOUNDARY HOUSE	LONDON	Office	35-45	2.6
<b>10 largest investments as % of portfolio</b>			<b>0.0</b>	<b>36.9</b>

Source: Hermes Real Estate Investment Management Ltd

## Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	17	34.6	2.5
2.5 - 5	7	25.8	1.9
5-10	9	68.5	5.0
10-25	22	396.7	28.7
25 - 50	17	551.2	39.9
50 - 100	5	304.2	22.0
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
<b>Total</b>	<b>77</b>	<b>1380.8</b>	<b>100.0</b>
Average lot size		17.9	

Source: Hermes Real Estate Investment Management Ltd



0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Hermes Real Estate Investment Management Ltd

## Debt analysis

Fixed rate borrowings			Variable rate borrowings		
Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)	Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)+
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0

Source: Hermes Real Estate Investment Management Ltd

## Development exposure\*

	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	0	0	0	0
% of all directly held properties*	0.00%	0.00%	0.00%	0.00%

\* Includes joint ventures in which the Fund has an interest of 50% or more

Source: Hermes Real Estate Investment Management Ltd

## Valuations/performance monitors/affiliations

Frequency of valuation	Monthly, on 25th of each month except for 24th June and 29th September
Valuers	Knight Frank
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Full Member

Source: Hermes Real Estate Investment Management Ltd

## Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	30% of GAV
Cash holdings (maximum)	10% of GAV*
Cash holdings (minimum)	No restriction

Source: Hermes Real Estate Investment Management Ltd

## The contribution of major tenants to rental income

Tenant	%
EI Group PLC	4.0
Sainsbury's Supermarket Ltd	3.6
B & Q PLC	2.6
Secretary of State for Communities and Local Govern	2.4
Circle Express Ltd (under Rico Logistics)	2.3
Old Mutual Wealth Business Services Ltd	2.3
LGC Bioresearch Ltd	2.3
Future Cities Catapult Ltd	2.1
Black Horse Ltd	1.9
Premier Inn Hotels Limited	1.7
Three largest tenants' contribution to rental income	10.2
Five largest tenants' contribution to rental income	14.9
Ten largest tenants' contribution to rental income	25.2

Source: Hermes Real Estate Investment Management Ltd

## Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
<b>Balance sheet (GBPm)</b>					
Properties at valuation	1380.8	0.0	0.0	0.0	1380.8
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	112.8	0.0	0.0	0.0	112.8
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total net assets</b>	<b>1493.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1493.7</b>
<b>Gearing (%)</b>					
Net debt (cash)/properties	-8.2	-	-	-	-8.2
Net debt (cash)/equity	-7.6	-	-	-	-7.6

Source: Hermes Real Estate Investment Management Ltd

<b>Quarterly data per unit</b>						
<b>As at</b>	<b>30-Sep-18</b>	<b>31-Dec-18</b>	<b>31-Mar-19</b>	<b>30-Jun-19</b>	<b>30-Sep-19</b>	<b>31-Dec-19</b>
Bid (GBP)	6.71	6.73	6.72	6.73	6.71	6.68
Offer (GBP)	7.22	7.23	7.20	7.19	7.19	7.16
Mid (GBP)	6.97	6.98	6.96	6.96	6.95	6.92
Bid/offer spread	6.97%	6.85%	6.66%	6.50%	6.74%	6.64%
Net asset value (GBP)	6.80	6.82	6.81	6.81	6.79	6.76
Quarterly distribution (GBP)	0.06	0.05	0.06	0.06	0.05	0.06
Yield	3.52%	3.42%	3.36%	3.30%	3.22%	3.25%

Source: Hermes Real Estate Investment Management Ltd

## Unit pricing

The bid and offer price of the units are calculated on the date of the monthly valuation (i.e. on 25th of each month, except for 24th June and 29th September). The Trust has no direct fixed-rate borrowings. Performance fees, which are paid annually from income, are estimated and accrued on a quarterly basis.

## Distributions

Distributions are made quarterly on 15 February, 15 May, 15 August and 15 November for the periods to 25 March, 24 June, 29 September and 25 December, respectively. Income accrues monthly to each registration day (the 26th of each month, except 25 June and 30 September).

## Minimum investment/disinvestment

The minimum investment is 10,000 units and applications must be in multiples of 1,000 units.

## Creation, transfer and realisation of units

Units may be purchased on 12 subscription days annually. These are on the 26th of each month (apart from 25th June and 30 September) or the following business day. Redemptions must be notified in writing to take effect on the next following notice day. These are 26 March, 25 June, 30 September and 26 December. Under normal circumstances, the proceeds will be paid three months later, i.e. on the next following notice day. In exceptional circumstances, the Trust Manager may defer the redemption of some or all of the units for up to nine months. In extreme circumstances, as a last resort, which would arise only if a major proportion of unitholders wished to withdraw, the trust would be terminated and the net proceeds distributed to unitholders. The manager will attempt, where possible, the matching of buying and selling orders, with any resulting transfer being effective on the next registration day.

## Taxation

### Capital Gains Tax

The trust is exempt from capital gains tax

### Income Tax

Distributions are paid without withholding income tax.

### Stamp duty reserve tax

Transfers of units are not subject to SDRT.

## Charges

### Annual fees

The Trust Manager is entitled to receive a fee of 0.40% per annum of the net asset value of the Trust, subject to a minimum fee of £1,300,000 per annum.

## Performance fees

In addition, the Trust Manager may receive performance related fees if the performance of the Trust exceeds the average weighted total return on the agreed benchmark, being the average return on the MSCI UK Other Balanced Funds Index Weighted Average Returns, on a three year annualised rolling average basis. The amount of the fee is calculated as 17.5% of the outperformance amount generated.

The total fees payable to the Trust Manager are capped at 0.8% of the net asset value of the Trust.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	81	25.8
1% or greater but less than 2%	17	23.2
2% or greater but less than 4%	4	11.2
4% or greater but less than 8%	6	30.1
Greater than 8.0%	1	9.7
<b>Total</b>	<b>109</b>	<b>100.0</b>
Major investors		
Largest holder	1	9.7
Three largest holders	3	21.7
Five largest holders	5	31.3
Ten largest holders	10	48.5
Internal/external investors		
Internal	1	0.8
External	108	99.2

Source: Hermes Real Estate Investment Management Ltd

Liquidity						
Period	Year to Dec 2014	Year to Dec 2015	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019
<b>Issues and redemptions</b>						
Units in issue as at start of period	188,073,142	203,985,562	222,248,140	224,369,425	235,333,516	236,409,540
Units issued during period	15,949,083	18,267,578	2,121,285	10,964,091	1,076,024	1,091,266
Units redeemed during period	(36,663.00)	(5,000)	-	-	-	-16,608,514
Units in issue at end of period	203,985,562	222,248,140	224,369,425	235,333,516	236,409,540	220,892,292
<b>Unit transfers</b>						
Matched bargains	3,499,303	2,999,550	38,228,416	9,693,738	10,278,563	7,540,990
Matched bargains %*	1.72%	1.35%	17.04%	4.12%	4.35%	3.41%

\* as % of units in issue at the end of the period

Source: Hermes Real Estate Investment Management Ltd