

# 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

|                             |                                |
|-----------------------------|--------------------------------|
| <b>Type of fund</b>         | Unauthorised exempt unit trust |
| <b>Residence</b>            | United Kingdom                 |
| Launch date                 | 1967.00                        |
| <b>Open/closed-ended</b>    | Open-ended                     |
| Earliest date of winding up | Not applicable                 |
| Year-end                    | 25th March                     |
| <b>NAV (GBPm)</b>           | <b>1427.4</b>                  |

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 Darroch (Interim fund Director)            |
| 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     | -0.1                       | -1.31                                      | -1.31              | -1.80     |
| Year-to-date | -0.1                       | -1.31                                      | -1.31              | -1.80     |
| 12 months    | 1.8                        | 0.12                                       | -0.02              | -1.33     |
| 3 years+     | 6.7                        | 5.33                                       | 4.84               | 3.92      |
| 5 years+     | 7.9                        | 6.29                                       | 5.75               | 5.07      |
| 10 years+    | 9.4                        | 7.44                                       | 7.09               | 6.92      |

Source: MSCI/AREF UK Quarterly Property Fund Index

### 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 | 7.5                        | 7.2  | 6.3                | 5.4       |
| Standard retail – Rest of UK | 0.5                        | 2.7  | 3.0                | 3.5       |

|                            |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|
| Shopping centres           | 1.5          | 1.2          | 1.8          | 6.1          |
| Retail warehouses          | 7.8          | 11.9         | 11.3         | 10.1         |
| <b>All UK retail</b>       | <b>17.3</b>  | <b>23.0</b>  | <b>22.5</b>  | <b>25.1</b>  |
| City offices               | 4.9          | 4.2          | 3.7          | 3.2          |
| West End offices           | 7.9          | 7.5          | 8.4          | 7.1          |
| Rest of South East offices | 16.8         | 11.7         | 11.0         | 7.7          |
| Rest of UK offices         | 7.1          | 6.3          | 5.9          | 5.5          |
| <b>All UK offices</b>      | <b>36.7</b>  | <b>29.6</b>  | <b>29.0</b>  | <b>23.5</b>  |
| South East industrial      | 26.1         | 19.9         | 20.3         | 16.3         |
| Rest of UK industrial      | 4.3          | 10.8         | 10.5         | 8.5          |
| <b>All UK industrial</b>   | <b>30.5</b>  | <b>30.7</b>  | <b>30.8</b>  | <b>24.9</b>  |
| Other UK properties        | 11.5         | 11.5         | 10.6         | 21.7         |
| Cash***                    | 4.1          | 5.2          | 7.1          | 4.9          |
| <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

| Property ownership structure |                  |                  |                      |
|------------------------------|------------------|------------------|----------------------|
|                              | Number of assets | Valuation (GBPm) | % of total portfolio |
| Direct holdings              | 76               | 1,369.2          | 100.0                |
| Joint and indirect holdings  | 0                | 0                | 0.0                  |
| Listed investments           | 0                | 0                | 0.0                  |
| <b>Total</b>                 | <b>76</b>        | <b>1,369.2</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            | 5.0                  |
| 8/10,GREAT GEORGE STREET,LONDON,SW1P 3AE                               | LONDON              | Office           | 55-65            | 4.7                  |
| BROKEN WHARF HOUSE   | LONDON              | Other            | 55-65            | 4.4                  |
| POLAR PARK   | WEST DRAYTON        | Industrial       | 45-55            | 4.0                  |
| HORNDON INDUSTRIAL ESTATE  | BRENTWOOD           | Industrial Other | 45-55            | 3.7                  |
| SOHO SQUARE  | LONDON              | Office           | 45-55            | 3.5                  |
| SAINSBURYS   | BEACONSFIELD        | Retail Other     | 35-45            | 3.1                  |
| CAMDEN WORKS   | LONDON              | Office           | 35-45            | 3.1                  |
| THE ROUND FOUNDARY & MARSHALL MILL                                     | LEEDS               | Office           | 35-45            | 2.9                  |
| BOUNDARY HOUSE   | LONDON              | Office           | 35-45            | 2.6                  |
| <b>10 largest investments as % of portfolio</b>                        |                     |                  | <b>0.0</b>       | <b>37.1</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                                      | 6                | 21.3             | 1.6                  |
| 5-10   | 9                | 69.0             | 5.0                  |
| 10-25  | 23               | 414.1            | 30.2                 |
| 25 - 50                                      | 16               | 531.1            | 38.8                 |
| 50 - 100                                     | 5                | 299.1            | 21.8                 |
| 100-150                                      | 0                | 0.0              | 0.0                  |
| Over 150                                     | 0                | 0.0              | 0.0                  |
| <b>Total</b>                                 | <b>76</b>        | <b>1369.2</b>    | <b>100.0</b>         |
| Average lot size                             |                  | 18.0             |                      |

Source: Hermes Real Estate Investment Management Ltd

| Property Yield           |       | Voids as % of ERV |              |
|--------------------------|-------|-------------------|--------------|
| Net initial yield        | 4.33% | Investments       | 8.90%        |
| Nominal equivalent yield | 5.37% | Developments      | 0.00%        |
| True equivalent yield    | 5.67% | <b>Total</b>      | <b>8.90%</b> |
| Net reversionary yield   | 5.22% |                   |              |

Source: Hermes Real Estate Investment Management Ltd

| Rental income & ERV by type of property |                 |                          |
|---|-----------------|--------------------------|
|   | Rental income % | Estimated rental value % |
| Standard retail                         | 9.7             | 8.5                      |
| Retail warehousing                      | 11.4            | 10.2                     |
| Shopping centres                        | 3.3             | 3.0                      |
| Central London offices                  | 11.9            | 11.4                     |
| Other offices                           | 27.0            | 28.4                     |
| Industrial                              | 29.8            | 29.7                     |
| Other                                   | 6.7             | 8.8                      |
| <b>Overall</b>                          | <b>100.0</b>    | <b>100.0</b>             |

Source: Hermes Real Estate Investment Management Ltd

| Over Renting and Reversionary Potential, % Rent Passing |                            |                           |                                     |                                    |                             |  |  |                              |  |
|---|----------------------------|---------------------------|-------------------------------------|------------------------------------|-----------------------------|--|--|------------------------------|--|
| Sector  | Rent Passing, GBP Millions | Rent Free, % Rent Passing | Development vacancy, % Rent Passing | Investment vacancy, % Rent Passing | Over rented, % Rent Passing | Reversionary potential, % Rent Passing | Reversionary potential Net of Over renting, % Rent Passing | Market Value, % Rent Passing |  |
| Standard retail   | 6.3                        | 0.5                       | 0.0                                 | 4.0                                | -4.2                        | 5.1                                    | 0.9  | 105.0                        |  |
| Retail warehousing                                      | 7.4                        | 0.0                       | 0.0                                 | 10.1                               | -17.0                       | 7.5                                    | -9.5   | 107.5                        |  |
| Shopping centres  | 2.1                        | 0.0                       | 0.0                                 | 22.7                               | -15.1                       | 7.6                                    | -7.5   | 107.6                        |  |
| Central London offices                                  | 7.6                        | 0.0                       | 7.4                                 | 2.4                                | -3.5                        | 15.9                                   | 12.4   | 115.9                        |  |
| Other offices   | 17.4                       | 0.2                       | 0.0                                 | 21.2                               | -1.5                        | 26.5                                   | 25.0   | 126.6                        |  |
| Industrial  | 19.2                       | 0.0                       | 0.0                                 | 8.2                                | -1.6                        | 20.1                                   | 18.5   | 120.2                        |  |
| Other   | 4.3                        | 46.2                      | 0.0                                 | 0.0                                | -10.3                       | 40.8                                   | 30.6   | 158.2                        |  |
| <b>Overall</b>  | <b>64.3</b>                | <b>3.2</b>                | <b>0.9</b>                          | <b>10.8</b>                        | <b>-4.8</b>                 | <b>19.4</b>                            | <b>14.6</b>  | <b>120.6</b>                 |  |

\*Comprising the ERV of developments in progress or contracted which have not been pre-let

Source: Hermes Real Estate Investment Management Ltd

| Listed Investments |                 |                  |                           |
|--------------------|-----------------|------------------|---------------------------|
|                    | % of Issue held | Valuation (GBPm) | Est. % of total portfolio |
| -                  | 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                       |

| The unexpired term of leases          |                   |
|---------------------------------------|-------------------|
| Years                                 | % of rent passing |
| 20 years or greater                   | 4.1               |
| 15 years or greater, but less than 20 | 1.0               |
| 10 years or greater, but less than 15 | 4.0               |
| 5 years or greater, but less than 10  | 29.6              |
| Less than 5 years                     | 61.3              |

Source: Hermes Real Estate Investment Management Ltd

| Joint and Indirect property holdings |        |                |              |             |           |                           |
|--------------------------------------|--------|----------------|--------------|-------------|-----------|---------------------------|
| Holdings                             | Sector | Joint/Indirect | Vehicle Type | Ownership % | Valuation | Est. % of total portfolio |
| -                                    | 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                       |
| -                                    | 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   | 3.8  |
| Sainsbury's Supermarket Ltd                          | 3.5  |
| Secretary of State for Communities and Local Govern  | 2.3  |
| Circle Express Ltd (under Rico Logistics)            | 2.3  |
| Old Mutual Wealth Business Services Ltd              | 2.2  |
| LGC Bioresearch Ltd                                  | 2.2  |
| B & Q PLC  | 2.2  |
| Future Cities Catapult Ltd                           | 2.1  |
| Black Horse Ltd                                      | 1.9  |
| Premier Inn Hotels Limited                           | 1.7  |
| Three largest tenants' contribution to rental income | 9.6  |
| Five largest tenants' contribution to rental income  | 14.1 |
| Ten largest tenants' contribution to rental income   | 24.2 |

Source: Hermes Real Estate Investment Management Ltd

## Balance sheet/gearing

|                         | Direct holdings | Joint holdings | Indirect investments | Listed investments | Total  |
|-------------------------|-----------------|----------------|----------------------|--------------------|--------|
| Balance sheet (GBPm)    |                 |                |                      |                    |        |
| Properties at valuation | 1369.2          | 0.0            | 0.0                  | 0.0                | 1369.2 |
| Listed investments      | 0.0             | 0.0            | 0.0                  | 0.0                | 0.0    |
| Debt                    | 0.0             | 0.0            | 0.0                  | 0.0                | 0.0    |
| Cash                    | 58.3            | 0.0            | 0.0                  | 0.0                | 58.3   |

|                              |        |     |     |     |     |        |
|------------------------------|--------|-----|-----|-----|-----|--------|
| Other net assets/liabilities | 0.0    | 0.0 | 0.0 | 0.0 | 0.0 | 0.0    |
| Total net assets             | 1427.4 | 0.0 | 0.0 | 0.0 | 0.0 | 1427.4 |
| Gearing (%)                  |        |     |     |     |     |        |
| Net debt (cash)/properties   | -4.3   | -   | -   | -   | -   | -4.3   |
| Net debt (cash)/equity       | -4.1   | -   | -   | -   | -   | -4.1   |

Source: Hermes Real Estate Investment Management Ltd

| Quarterly data per unit      |           |           |           |           |           |           |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| As at                        | 31-Dec-18 | 31-Mar-19 | 30-Jun-19 | 30-Sep-19 | 31-Dec-19 | 31-Mar-20 |
| Bid (GBP)                    | 6.73      | 6.72      | 6.73      | 6.71      | 6.68      | 6.62      |
| Offer (GBP)                  | 7.23      | 7.20      | 7.19      | 7.19      | 7.16      | 7.11      |
| Mid (GBP)                    | 6.98      | 6.96      | 6.96      | 6.95      | 6.92      | 6.87      |
| Bid/offer spread             | 6.85%     | 6.66%     | 6.50%     | 6.74%     | 6.64%     | 6.87%     |
| Net asset value (GBP)        | 6.82      | 6.81      | 6.81      | 6.79      | 6.76      | 6.71      |
| Quarterly distribution (GBP) | 0.05      | 0.06      | 0.06      | 0.05      | 0.06      | 0.05      |
| Yield                        | 3.42%     | 3.36%     | 3.30%     | 3.22%     | 3.25%     | 3.15%     |

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 | 75                    | 22.1         |
| 1% or greater but less than 2% | 19                    | 25.6         |
| 2% or greater but less than 4% | 5                     | 15.4         |
| 4% or greater but less than 8% | 5                     | 26.8         |
| Greater than 8.0%              | 1                     | 10.1         |
| <b>Total</b>                   | <b>105</b>            | <b>100.0</b> |
| Major investors                |                       |              |
| Largest holder                 | 1                     | 10.1         |
| Three largest holders          | 3                     | 22.6         |
| Five largest holders           | 5                     | 32.5         |
| Ten largest holders            | 10                    | 49.7         |
| Internal/external investors    |                       |              |
| Internal                       | 0                     | 0.0          |
| External                       | 105                   | 100.0        |

Source: Hermes Real Estate Investment Management Ltd

| Liquidity                            |                  |                  |                  |                  |                  |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Period                               | Year to Dec 2015 | Year to Dec 2016 | Year to Dec 2017 | Year to Dec 2018 | Year to Dec 2019 | Year to Dec 2020 |
| <b>Issues and redemptions</b>        |                  |                  |                  |                  |                  |                  |
| Units in issue as at start of period | 203,985,562      | 222,248,140      | 224,369,425      | 235,333,516      | 236,409,540      | 220,892,292      |
| Units issued during period           | 18,267,578       | 2,121,285        | 10,964,091       | 1,076,024        | 1,091,266        | 101,358          |
| Units redeemed during period         | (5,000.00)       | -                | -                | -                | -16,608,514      | -8,201,436       |
| Units in issue at end of period      | 222,248,140      | 224,369,425      | 235,333,516      | 236,409,540      | 220,892,292      | 212,792,214      |
| <b>Unit transfers</b>                |                  |                  |                  |                  |                  |                  |
| Matched bargains                     | 2,999,550        | 38,228,416       | 9,693,738        | 10,278,563       | 7,540,990        | 5,837,019        |
| Matched bargains %*                  | 1.35%            | 17.04%           | 4.12%            | 4.35%            | 3.41%            | 2.74%            |

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

Source: Hermes Real Estate Investment Management Ltd