

Federated 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)	1216.1

Source: Federated Hermes Limited

Management/professional advisors

Manager	Federated Hermes Limited
Property Investment Manager	Federated Hermes Limited
Investment Advisor	
Portfolio Manager	Dermot Kiernan
Corporate trustee	National Westminster Bank Plc
Auditors	PricewaterhouseCoopers LLP

Source: Federated Hermes Limited

Investment rates of return, %

	Federated Hermes Property Unit Trust	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced open-ended funds	All balanced open-ended funds	All funds
3 months	-13.7	-14.05	-14.12	-13.43
Year-to-date	-8.8	-8.72	-9.46	-10.02
12 months	-8.8	-8.72	-9.46	-10.02
3 years+	1.9	2.16	2.20	0.84
5 years+	3.3	3.12	2.92	1.75
10 years+	7.8	6.82	6.52	5.69

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: Federated Hermes Limited

Portfolio distribution %

	Federated Hermes Property Unit Trust	MSCI/AREF UK Quarterly Property Fund Index**		
		Other balanced open-ended funds	All balanced open-ended funds	All funds
Standard retail – South East	6.7	5.0	4.7	4.7
Standard retail – Rest of UK	0.5	1.2	1.5	2.5
Shopping centres	1.2	0.6	0.9	2.5
Retail warehouses	14.2	12.1	11.7	7.5
All UK retail	22.5	18.9	18.7	17.2
City offices	5.0	3.6	3.6	3.3
West End offices	9.6	8.4	7.8	5.4
Rest of South East offices	7.1	9.1	8.3	6.4
Rest of UK offices	7.1	5.3	5.1	5.5
All UK offices	28.9	26.4	24.8	20.6
South East industrial	28.8	23.9	24.5	20.0
Rest of UK industrial	5.5	13.8	13.7	11.8
All UK industrial	34.3	37.7	38.2	31.8
Other UK properties	11.4	11.9	11.9	25.1
Cash***	3.0	5.1	6.4	5.3
Overall	100.0	100.0	100.0	100.0

Sources: * Federated Hermes Limited

**MSCI/AREF UK Quarterly Property Fund Index

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	70	1,180.0	100.0
Joint and indirect holdings	0	0	0.0
Listed investments	0	0	0.0
Total	70	1,180.0	100.0

Source: Federated Hermes Limited

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
8/10, GREAT GEORGE STREET, LONDON, SW1P 3AE	LONDON	Office	75-80	6.6
POLAR PARK	WEST DRAYTON	Industrial	60-65	6.4
MAYBIRD SHOPPING PARK	STRATFORD-UPON-AVON	Retail Park	60-65	6.0
BROKEN WHARF HOUSE	LONDON	Other	50-55	4.9
TEMPLARS SHOPPING PARK	OXFORD	Retail Park	45-50	4.9
SOHO SQUARE	LONDON	Office	40-45	4.0
SAINSBURYS	BEACONSFIELD	Retail Other	35-40	3.9
THE ROUND FOUNDARY & MARSHALL MILL	LEEDS	Office	35-40	3.5
THOMAS ROAD IND ESTATE	LONDON	Industrial	30-35	3.4
READING METROPOLITAN SITE	READING	Industrial	30-35	3.0
10 largest investments as % of portfolio				46.6

Source: Federated Hermes Limited

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0-2.5	15	27.8	2.4
2.5-5	8	27.4	2.3
5-10	7	55.2	4.7
10-25	23	406.9	34.5
25-50	13	412.1	34.9
50-100	4	250.7	21.2
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	70	1,180.0	100.0
Average lot size		16.9	

Source: Federated Hermes Limited

Property Yield		Voids as % of ERV	
Net initial yield	4.70%	Investments	12.90%
Nominal equivalent yield	5.94%	Developments	0.00%
True equivalent yield	6.16%	Total	12.90%
Net reversionary yield	6.12%		

Source: Federated Hermes Limited

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	8.5	7.9
Retail warehousing	19.0	15.9
Shopping centres	2.9	2.3
Central London offices	6.8	12.0
Other offices	19.8	21.6
Industrial	31.8	31.3
Other	11.1	9.0
Overall	100.0	100.0

Source: Federated Hermes Limited

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	5.1	6.3	0.0	13.2	-11.0	22.5	11.6	116.2
Retail warehousing	11.5	7.1	0.0	5.2	-13.7	11.5	-2.2	104.4
Shopping centres	1.8	2.7	0.0	8.0	-15.5	1.8	-13.7	99.2
Central London offices	4.1	0.0	0.0	120.6	-0.6	121.1	120.5	221.1
Other offices	12.0	1.5	0.0	22.7	-2.1	37.2	35.1	135.7
Industrial	19.2	1.1	0.9	5.3	-0.1	23.9	23.8	122.8
Other	6.7	0.0	0.0	0.0	-12.0	1.0	-11.0	101.0
Overall	60.3	2.6	0.3	16.7	-5.8	27.4	21.6	124.8

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

Source: Federated Hermes Limited

Listed Investments

	% of issue held	Valuation (GBPm)	Est. % of total portfolio
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

The unexpired term of leases

Years	% of rent passing
20 years or greater	8.2

15 years or greater, but less than 20	2.1
10 years or greater, but less than 15	2.4
5 years or greater, but less than 10	21.7
Less than 5 years	65.7

Source: Federated Hermes Limited

Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source: Federated Hermes Limited

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: Federated Hermes Limited

Development exposure*

GBPm	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
0	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: Federated Hermes Limited

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: Federated Hermes Limited

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: Federated Hermes Limited

The contribution of major tenants to rental income

Tenant	%
B&Q PLC	5.8
Sainsbury's Supermarket Ltd	4.8
El Group PLC	4.4
Edyn Ltd (SACO)	3.3
LGC Bioresearch Ltd	2.8
Circle Express Ltd (under Rico Logistics)	2.7
Old Mutual Wealth Business Services Ltd	2.6
Future Cities Catapult Ltd	2.3
Premier Inn Hotels Limited	1.9
Asda Stores Ltd	1.7
Three largest tenants' contribution to rental income	15.0
Five largest tenants' contribution to rental income	21.2
Ten largest tenants' contribution to rental income	32.5

Source: Federated Hermes Limited

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	1180.0	0.0	0.0	0.0	1180.0
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	36.2	0.0	0.0	0.0	36.2
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	1216.1	0.0	0.0	0.0	1216.1
Gearing (%)					
Net debt (cash)/properties	-3.1	-	-	-	-3.1
Net debt (cash)/equity	-3.0	-	-	-	-3.0

Source: Federated Hermes Limited

Quarterly data per unit

As at	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22
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Bid (GBP)	6.87	7.19	7.53	7.87	7.43	6.36
Offer (GBP)	7.40	7.75	8.11	8.48	7.97	6.84
Mid (GBP)	7.13	7.47	7.82	8.17	7.70	6.60
Bid/offer spread	7.10%	7.18%	7.19%	7.21%	6.76%	6.95%
Net asset value (GBP)	6.96	7.29	7.63	7.97	7.53	6.44
Quarterly distribution (GBP)	0.06	0.07	0.06	0.06	0.05	0.06
Yield	3.95%	3.56%	3.23%	3.03%	3.19%	3.49%

Source: Federated Hermes Limited

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	56	18.0
1% or greater but less than 2%	24	34.2
2% or greater but less than 4%	6	17.5
4% or greater but less than 8%	4	22.2
Greater than 8.0%	1	8.0
Total	91	100.0
Major investors		
Largest holder	1	8.0
Three largest holders	3	21.8
Five largest holders	5	30.2
Ten largest holders	10	45.7
Internal/external investors		
Internal	0	0.0
External	91	100.0

Source: Federated Hermes Limited

Liquidity						
Period	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022
Issues and redemptions						
Units in issue as at start of period	224,369,425	235,333,516	236,409,540	220,892,292	212,570,416	195,009,654
Units issued during period	10,964,091	1,076,024	1,091,266	101,358	0	0
Units redeemed during period	-	-	(16,608,514)	(8,423,234)	(17,560,762)	(6,253,979)
Units in issue at end of period	235,333,516	236,409,540	220,892,292	212,570,416	195,009,654	188,755,675
Unit transfers						
Matched bargains	9,693,738	10,278,563	7,540,990	9,615,145	5,025,149	1,894,367
Matched bargains %*	4.12%	4.35%	3.41%	4.52%	2.58%	1.00%

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

Source: Federated Hermes Limited