

PATRIZIA Hanover Property Unit Trust

INVESTMENT POLICY AND OBJECTIVES

An actively managed, diversified balanced UK property fund, seeking to outperform the Other Balanced Property Funds Index. The Evergreen portfolio (70%) consists of assets with long-term business plans, offering a diversified and sustainable income with good prospects of income and capital growth. The Dynamic portfolio (30%) consists of assets with shorter, more defined business plans of 3-5 years to allow the portfolio to stay relevant and deliver out-performance. Dependent on the asset management outcome, these assets could feed the Evergreen portfolio.

INVESTOR CONSTITUENCY

The Trust is open to investment by pension funds, investment trusts, charities, and other UK and overseas corporate and institutional investors. Units may also be issued to individuals whom the Manager is satisfied are investing on the advice of an appropriately qualified financial advisor.

Fund details	
Type of fund	Unauthorised property unit trust
Residence	Jersey
Launch date	July 1967
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	30-Sep
NAV (GBPm)	484.2

Source: PATRIZIA Property Investment Managers LLP

Management/professional advisors	
Fund Manager	PATRIZIA Hanover Real Estate Management Ltd
Investment Advisor	PATRIZIA Property Investment Managers LLP
Property Fund manager	Mischa Davis
Trustee	BNP Paribas Securities Services
Auditors	Deloitte

Source: PATRIZIA Property Investment Managers LLP

	PATRIZIA Hanover Property Unit Trust	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
3 months	0.5	2.2	2.2	1.8
Year-to-date	0.5	2.2	2.2	1.8
12 months	-1.2	2.5	2.5	0.7
3 years+	2.8	2.7	2.4	1.1
5 years+	4.9	4.6	4.1	3.2
10 years+	6.6	6.8	6.4	5.9

Source: PATRIZIA Property Investment Managers LLP

Property investment restrictions	
Maximum development exposure	*
Maximum speculative development exposure	30%
Maximum lot-size holding as a standing investment	25%
Maximum lot-size holding permitted at purchase	*
Maximum exposure to limited partnerships	*
Maximum exposure to joint ventures	*
Maximum exposure to closed and open-ended property unit trusts	*

Source: PATRIZIA Property Investment Managers LLP

Portfolio distribution %

MSCI/AREF UK Quarterly Property Fund Index

	PATRIZIA Hanover Property Unit Trust	Other balanced funds	All balanced funds	All funds
Standard retail – South East	0.0	6.0	5.2	4.9
Standard retail – Rest of UK	1.6	2.1	2.4	3.3
Shopping centres	5.4	0.7	1.2	3.5
Retail warehouses	5.0	10.9	10.5	9.0
All UK retail	11.9	19.7	19.3	20.6
City offices	0.0	3.9	3.6	3.4
West End offices	0.0	7.6	8.5	7.6
Rest of South East offices	16.7	10.8	10.2	7.4
Rest of UK offices	12.5	6.0	5.6	5.1
All UK offices	29.2	28.3	27.9	23.5
South East industrial	33.3	21.7	22.7	18.5
Rest of UK industrial	16.8	12.0	11.8	9.5
All UK industrial	50.1	33.7	34.5	28.0
Other UK properties	5.7	11.3	10.7	21.9
Cash***	3.0	7.0	7.7	5.9
Overall	100.0	100.0	100.0	100.0

Source: PATRIZIA Property Investment Managers LLP

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	21	504.5	100.0
Joint and indirect holdings	0	0.00	0.0
Listed investments	0	0.0	0.0
Total	21	504.5	100.0

Source: PATRIZIA Property Investment Managers LLP

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
THORP ARCH	WETHERBY	Industrial	75-80	15.4
WESTCOTT VENTURE PARK	AYLESBURY	Industrial	65-70	13.4
ANNAN HOUSE	ABERDEEN	Office	40-45	8.4
MOLE BUSINESS CENTRE INDUSTRIAL	LEATHERHEAD	Industrial Other	35-40	7.4
CODA STUDIOS	FULHAM	Office	30-35	6.4
COURT LANE INDUSTRIAL CENTRE	IVER	Industrial	30-35	6.4
MOLE BUSINESS CENTRE OFFICE	LEATHERHEAD	Office	30-35	6.4
9-10 ST ANDREW SQUARE	EDINBURGH	Office	20-25	4.5
100 BLACKHEATH ROAD	LONDON	Retail Park	20-25	4.5
VERULAM POINT	ST ALBANS	Office	20-25	4.5
10 largest investments as % of portfolio				77.3

Source: PATRIZIA Property Investment Managers LLP

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	0	0.0	0.0
2.5 - 5	4	17.8	3.5
5-10	1	10.0	2.0
10-25	9	149.4	29.6
25 - 50	5	182.3	36.1
50 - 100	2	145.1	28.8
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	21	504.5	100.0
Average lot size		24.0	

Source: PATRIZIA Property Investment Managers LLP

Property Yield	
Net initial yield	5.01%
Nominal equivalent yield	6.71%
True equivalent yield	6.75%
Net reversionary yield	7.05%

Source: PATRIZIA Property Investment Managers LLP

Voids as % of ERV	
Investments	12.67%
Developments	0.00%
Total	12.67%

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	3.1	2.8
Retail warehousing	3.3	4.1
Shopping centres	15.0	11.9
Central London offices	0.0	0.0
Other offices	29.0	33.5
Industrial	47.0	43.7
Other	2.6	4.0
Overall	100.0	100.0

Source: PATRIZIA Property Investment Managers LLP

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	1.0	0.0	0.0	41.2	-31.1	11.7	-19.4	111.7
Retail warehousing	1.0	0.0	0.0	50.5	-0.6	49.9	49.3	149.9
Shopping centres	4.7	1.6	0.0	13.1	-30.8	-2.4	-33.2	96.0
Central London offices	-	-	-	-	-	-	-	-
Other offices	9.0	1.2	0.0	19.1	-7.5	42.1	34.5	140.7
Industrial	14.6	0.2	0.0	9.9	-4.3	13.3	9.1	113.1
Other	0.8	126.6	0.0	0.0	-8.0	214.6	206.6	188.1
Overall	31.1	4.0	0.0	15.1	-10.0	25.6	15.6	121.6

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

Source: PATRIZIA Property Investment Managers LLP

Listed Investments

	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
	0.0	0.0	0.0

The unexpired term of leases

Years	% of rent passing
20 years or greater	7.6
15 years or greater, but less than 20	4.1
10 years or greater, but less than 15	16.4
5 years or greater, but less than 10	7.9
Less than 5 years	64.0

Source: PATRIZIA Property Investment Managers LLP

Joint and Indirect property holdings

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

Source: PATRIZIA Property Investment Managers LLP

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	35	1.85%	-121.3
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: PATRIZIA Property Investment Managers LLP

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: PATRIZIA Property Investment Managers LLP

Valuations/performance monitors/affiliations

Frequency of valuation	Quarterly, as at 15 March, 15 June, 15 September & 15 December
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: PATRIZIA Property Investment Managers LLP

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	*33.0%
Cash holdings (maximum)	**
Cash holdings (minimum)	**

Note: * 33% of GAV

Source: PATRIZIA Property Investment Managers LLP

The contribution of major tenants to rental income

Tenant	%
ENQUEST HEATHER LIMITED	11.2
MOORES FURNITURE GROUP LTD	3.8
TRANSLUX INTERNATIONAL LIMITED	2.8
KEW GREEN HOTELS (YORK) LTD	2.6
EXPERT LOGISTICS LIMITED	2.4
SURREY & BORDERS PARTNERSHIP NHS FOUNDATION TRUST (AFL)	2.3
WICKES BUILDING SUPPLIES LTD	2.0
SAINSBURY'S SUPERMARKETS LTD	1.9
LUXOTTICA UK LTD & SUNGLASSES HUT UK LTD	1.7
SUNGARD AVAILABILITY SERVICES (UK) LTD	1.6

Three largest tenants' contribution to rental income	17.8
Five largest tenants' contribution to rental income	22.9
Ten largest tenants' contribution to rental income	32.4

Source: PATRIZIA Property Investment Managers LLP

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	504.5	0.0	0.0	0.0	504.5
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	-35.0	0.0	0.0	0.0	-35.0
Cash	15.6	0.0	0.0	0.0	15.6
Other net assets/liabilities	-0.9	0.0	0.0	0.0	-0.9
Total net assets	484.2	0.0	0.0	0.0	484.2
Gearing (%)					
Net debt (cash)/properties	3.8	-	-	-	3.8
Net debt (cash)/equity	4.0	-	-	-	4.0

Source: PATRIZIA Property Investment Managers LLP

Quarterly data per unit						
As at	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Bid (GBP)	14,355.0	14,265.0	13,530.0	13,365.0	13,585.0	13,485.0
Offer (GBP)	15,405.0	15,305.0	14,555.0	14,385.0	14,540.0	14,445.0
Mid (GBP)	14,880.0	14,785.0	14,042.5	13,875.0	14,062.5	13,965.0
Bid/offer spread	7.31%	7.29%	7.58%	7.63%	7.03%	7.12%
Net asset value (GBP)	14,592.0	14,497.0	13,756.4	13,586.0	13,801.0	13,704.3
Quarterly distribution (GBP)	182.96	160.18	137.47	147.53	155.20	171.63
Yield	4.96%	4.90%	4.83%	4.64%	4.35%	4.48%

Source: PATRIZIA Property Investment Managers LLP

Unit pricing

The unit price is recalculated as at the end of each quarter. For the annual accounts, the valuers indicate whether there has been any material change in the value of the portfolio since their last valuation (approximately ten days previously) and the end of the quarter. Income is not included in the calculation. Any performance fees payable are charged quarterly to capital and are not estimated and accrued on a quarterly basis.

Distributions

Distributions of income are made quarterly, on the last working day of May, August, November and February, i.e. two months after the end of the quarter to which they relate.

Minimum investment/disinvestment

Minimum initial	10 units
Minimum additional investment:	1 unit
Minimum redemption:	1 unit

Creation, transfer and realisation of units

Investors may redeem Standard Units on each quarter end date, namely the last Business Day of March, June, September and December in each

year, by submitting a Redemption Notice 24 weeks before the redemption date.

Unless the Manager otherwise determines at its sole discretion, the Fund Redemption Cap for Standard Units on each Quarter End Date is the lesser of:

- (a) a quarterly cap equal to 5% of the Standard Units in issue as at the Quarter End Date; and
- (b) an annual rolling cap equal to 15% of the Standard Units in issue 12 months prior to the quarter end date.

The number of Standard Units that will be redeemed on the Quarter End Date from each Unitholder (excluding the redemption of Standard Units which have been postponed at the Manager's discretion on prior Quarter End Dates) will be reduced pro rata to each redeeming Unitholder's holding of Standard Units at the Quarter End Date. If any Unitholder's pro rata allocation is greater than the number of Standard Units it wishes to redeem (as specified in its Redemption Notice) then its Standard Units will be redeemed in full and the balance will be reallocated to the remaining redeeming Unitholders' pro rata to their respective holdings of Standard Units.

The Standard Units in excess of the Fund Redemption Cap that remain unredeemed and will automatically roll over to the next Quarter End Date. Rolled Redemption Units will sit alongside other redemption requests for subsequent Quarter End Dates (i.e. there is no time priority or queue).

Taxation

Capital Gains Tax

Since it is registered in Jersey, the Trust is not subject to UK capital gains tax. Those investors who are subject to tax may be liable to capital gains tax on the redemption or sale of their units in the Trust. (PATRIZIA Hanover Property Unit Trust is expected to maintain Distributor status.)

Income Tax

Distributions are paid gross of income tax where the appropriate Inland Revenue approvals have been received.

Stamp duty reserve tax

Transfers of units are not subject to stamp duty.

Charges

Annual charge

The Trust's Property Investment Advisor receives 0.55% pa of the net asset value of the Trust, which is accounted for on a quarterly basis. As from 1 October 2007, 50% of this fee has been capitalised.

Performance fee

RPIML may earn a performance fee of 0.125% pa if the Trust's annualised three-year total return places it above the median three-year performance of the Other Balanced Fund sub-index of the MSCI UK Quarterly Property Funds Index. This figure increases to 0.15% pa if the Trust is rated in the top quartile. As from 1 October 2007, any performance fees payable have been charged quarterly to capital.

Acquisition fee

PATRIZIA Hanover Property Unit Trust charges an acquisition fee of 0.25%

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	22	7.4
1% or greater but less than 2%	16	22.2
2% or greater but less than 4%	5	13.8
4% or greater but less than 8%	4	19.8
Greater than 8.0%	4	36.9
Total	51	100.0
Major investors		
Largest holder	1	11.5
Three largest holders	3	28.8
Five largest holders	5	42.0
Ten largest holders	10	62.9
Internal/external investors		
Internal	1	0.1
External	50	99.9

Source: PATRIZIA Property Investment Managers LLP

Liquidity						
Period	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021

Issues and redemptions						
Units in issue as at start of period	38,914	36,968	35,297	35,332	35,332	35,332
Units issued during period	-	177	35	0	0	0
Units redeemed during period	-1946	-1848	0	0	0	0
Units in issue at end of period	36,968	35,297	35,332	35,332	35,332	35,332
Unit transfers						
Matched bargains	837	4,783	1,442	0	168	0
Matched bargains %*	2.30%	13.55%	4.08%	0.00%	0.48%	0.00%

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

Source: PATRIZIA Property Investment Managers LLP