

Hermes Property Unit Trust

Quarterly Update

Q3 17

September 2017

Overview

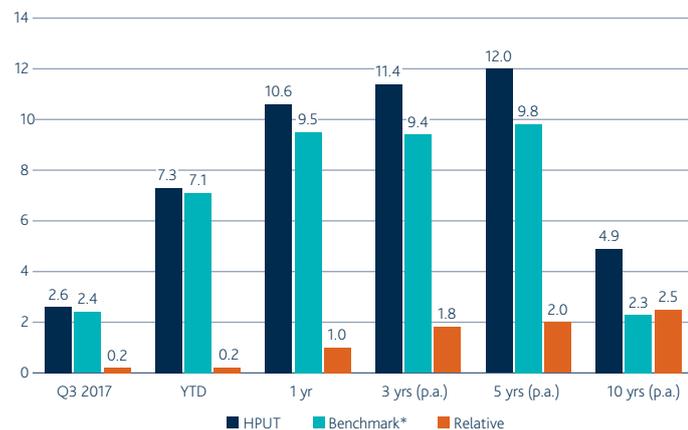
During the third quarter of 2017 the Trust delivered a total return of 2.6% to unit holders, outperforming the benchmark return of 2.4% by 0.2% on a geometric basis. This outperformance was primarily driven by asset management activities which are noted later in this Factsheet and these have added to the Trust's capital return whilst reducing risk and securing future rental income for unit holders. Although transactional activity was very modest, with one small acquisition being made during Q3, at quarter end due diligence was progressing on a number of investments that had been identified for purchase. Next quarter's Factsheet will provide an update on this investment activity.

Performance

In Q3 2017 the Trust delivered a total return of 2.6% to unit holders, outperforming the benchmark of 2.4%. Over the 12 months to end September 2017, the Trust's total return was 10.6%, outperforming the benchmark of 9.5% by 1.0% on a geometric basis. The Trust continues to deliver top quartile performance to unit holders over 1, 3, 5 and 10 years and is also the best performing fund in its benchmark over ten years.

Performance as at end September 2017

Fund v benchmark (%)



*IPD UK PFI Other Balanced Funds Index (Weighted average). Years to end September 2017, annualised. Relative returns are calculated on a geometric basis net of fees. Past performance is not a reliable indicator of future results.

At sub-sector level, the Trust's Industrial sector continued to deliver the strongest contribution to portfolio return by increasing the overall return by 0.3% and followed by Offices in the Rest of UK with an increased overall return contribution of 0.2%. During the same period the Trust's West End and City of London Offices segments reduced returns by a combined 0.3%.

At property level, the investments that delivered the strongest contribution to portfolio return were the Trust's retail warehouse investment at Clifton Moor in York and the office investment Citygate Court in Manchester. This strong performance was the consequence of asset management successes identified later in this Factsheet. The assets that most reduced the Trust's portfolio return during the quarter were the Maybird Shopping Park, Stratford-upon-Avon and the Trust's Central London office Broken Wharf House. Maybird Shopping Park produced a positive total return, but less than the portfolio return, and at Broken Wharf House various works have taken place to the building to implement a planning consent and these have reduced the total return.

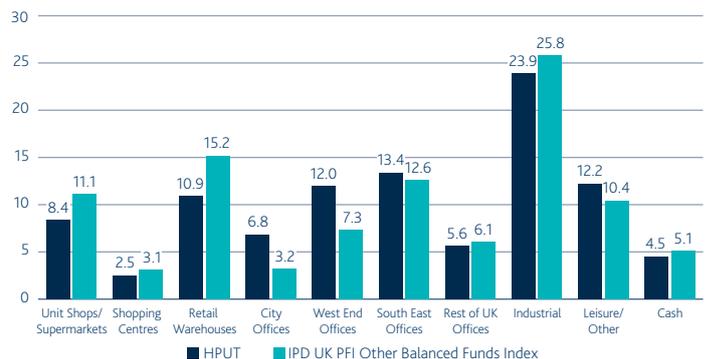
Asset Management

During Q3 2017 there have been a number of notable asset management activities:

- 75 North End in Croydon: The Trust completed the acquisition of a small freehold shop which adjoins the Trust's existing retail investments in Croydon. The property is in a good position between the principal entrances to the Whitgift and Centrale shopping Centres. The Whitgift Shopping Centre is due to be redeveloped into Westfield Croydon for completion in 2021/2.
- B&Q, Clifton Moor, York: The lease with B&Q expired at the end of May 2017 and a new lease has been completed for 10 year term until end of May 2027. The new 10 year lease with B&Q is at a passing rent of £774,000 per annum, equating to just under £15 per sq.ft. This represents a small reduction in the level of the rent that was passing under the previous lease, but given the challenging environment for retailers this was a good outcome. The new lease includes a capital contribution to the tenant equivalent to one year's rent.
- Citygate, 47/57 Mosley Street, Manchester: The Trust secured a new letting to the Secretary of State for Communities and Local Government of 31,193 sq.ft over four floors (1st to 4th) of the building from the end of September 2017. The agreed 15 year lease will provide to the Trust £752,000 rent passing per annum which equates to £22.50 per sq.ft with a tenant incentive equivalent to one year's rent free. The tenant has break options in years 5 and 10 of the lease. This letting removes a significant void from the portfolio: a single floor of 8,023 sq.ft continues to be marketed to potential tenants.

Portfolio Structure Comparison

Sector Weighting % Total Portfolio Value



Source: Hermes Real Estate and IPD UK Property Fund Index, end September 2017. GAV basis.

Responsible Property Investment

In September 2017 the Trust has been awarded a Green Star in the Global Real Estate Sustainability Benchmark (GRESB) in recognition of the Trust's ongoing application of responsible property investment activities within the context of delivering good commercial returns to unit holders.

Outlook

The UK economy continues to expand with the first estimate for Q3 suggesting growth of 0.4%, a little ahead of market expectations. Forward looking measures, such as confidence surveys and PMI data suggest growth will continue, but at relatively modest levels in the short term. The negotiations to settle the terms of the UK's exit from the European Union continue to be a source of uncertainty and there is unlikely to be clarity for some time to come. In the meantime, investor appetite for commercial real estate continues to be buoyant for long term investors and this is supported by the attractive income yield delivered by real estate relative to many other asset classes.

September 2017

Key Statistics

As at end September 2017

| | |
|--|-----------|
| Gross asset value | £1,460.9m |
| Net asset value | £1,460.9m |
| Directly held assets | 83 |
| Indirect real estate vehicles | 0 |
| Offer Price | £6.705 |
| Bid Price | £6.252 |
| Net Asset Value per unit | £6.330 |
| Number of unit holders | 113 |
| Distribution per unit – paid (Quarter to Jun 17) | 5.82p |
| Distribution per unit – paid (Year to Jun 17) | 22.84p |
| Yield on offer price | 3.41% |
| 12 month return to unit holders | 10.6% |
| Quarterly return | 2.6% |
| Bid/Offer spread | 6.8% |

Source: Hermes Real Estate, end September 2017

Top 10 Direct Holdings by Value Band (GAV)

As at end September 2017

| Asset | Sector | Lot Size (£m) |
|---|---------------------|---------------|
| Maybird Shopping Park, Stratford-upon-Avon | Retail Warehouses | 100+ |
| 8/10 Great George Street, London, SW1P 3AE | West End Offices | 60-70 |
| Polar Park, Bath Road, Heathrow | Industrials | 40-45 |
| 27 Soho Square, London, W1D 3QR | West End Offices | 40-45 |
| Sainsbury's, Maxwell Road, Beaconsfield | Supermarkets | 40-45 |
| Hythe House, Hammersmith | Standard Offices SE | 40-45 |
| 2 Cavendish Square, London W1 | West End Offices | 35-40 |
| Camden Works, Oval Road, London NW1 | Standard Offices SE | 35-40 |
| Christopher Place, St Albans | Shopping Centres | 35-40 |
| Boundary House, 91/93 Charterhouse St, London EC1 | City Offices | 30-35 |

Source: Knight Frank Valuations and Hermes Real Estate, end September 2017

The Structure of the Hermes Property Unit Trust

The Appointments Committee

The Appointments Committee provides independent oversight of Hermes on behalf of Unit Holders. The Appointments Committee may, subject to the approval of Unit Holders, remove the Trustee and the Trust Manager.

Chairman – David Nicol BA (Hons) CA

David is a Chartered Accountant and worked for Morgan Stanley from 1984 until 2010 taking various senior operational roles. He was chair of Morgan Stanley Pension Trustee Limited and non-executive chair of the audit committee of Morgan Stanley International until the end of 2011. He is currently Chief Executive of Brewin Dolphin plc and a member of the Council of ICAS. David accepted the position of trustee for The Urology Foundation in 2017.

Caroline Burton MA

Formerly Executive Director of Investments, Guardian Royal Exchange plc, Caroline is currently an investment advisor to a number of local authority pension funds and holds non-executive positions at LV= and BlackRock Smaller Companies Investment Trust.

Paul Clark BA (Hons), MPhil

Paul is Chief Investment Officer at the Crown Estate, previously Director of Investment and Asset Management since 2007, prior to that he ran the Church Commissioners global real estate investment portfolio. He is also a non-executive Director of Ronson Capital Partners and sits on various industry bodies including the Policy Committee of The British Property Federation.

Sue Clayton BSc FRICS

Sue is an Executive Director at CBRE, the global property advisers, where she has specialised in UK investment markets for over 25 years. Sue is a non-executive Director of Helical Plc where she chairs the Valuation Committee and sits on the Audit and Remuneration Committees. She is a Trustee of the Reading Real Estate Foundation. Barwood Capital Ltd have appointed Sue as Chair of its Barwood Property Fund 2017.

Andrew McIntyre MA, ACA

Andrew is a non-executive director of C. Hoare & Co and Ecclesiastical Insurance Group plc, and was previously a board member and chairman of Southern Housing Group Limited. He was a partner at Ernst & Young for 28 years. He also served on the firm's board and was a trustee of the firm's pension schemes. Andrew is a trustee of the Centre for Economic Policy Research and a member of the Financial Reporting Council Review Panel.

About Hermes

Hermes Real Estate Investment Management is one of the largest real estate managers in the UK and is the dedicated real estate subsidiary of Hermes Investment Management Limited (HIML). HIML is wholly owned by the BT Pension Scheme. Its position as one of the UK's largest corporate pension schemes affords Hermes Real Estate a privileged insight into the issues faced by pension schemes today and facilitates a unique alignment with other long-term investors.

Important Notes for Investors

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The Hermes Property Unit Trust ("HPUT") is constituted by an amended and restated trust deed between the Appointments Committee, the Trust Manager and the Trustee. The Trust Manager, Hermes Alternative Investment Management Limited ("HAIML"), is the legal operator of HPUT. It is authorised and regulated by the Financial Conduct Authority and has been appointed by the Appointments Committee to undertake all portfolio and risk management activities. The Trust Manager

has formed a special committee, known as the HPUT Committee, through which it considers certain matters on behalf of Unit Holders. Each of the members of the HPUT Committee is a member of the Appointments Committee. Each person is Financial Conduct Authority approved in respect of the activities they perform through the HPUT Committee. The Trust Manager delegates certain of its property portfolio activities to Hermes Real Estate Investment Management Limited.

Any opinions expressed may change. The value of investments and income from them may go down as well as up, and you may not get back the original amount invested. Any investments overseas may be affected by currency exchange rates. Past performance is not a reliable indicator of future results and targets are not guaranteed. Property is an illiquid investment and may result in deferment of redemption of units. The value of the property is a matter of a valuer's opinion rather than fact. All figures, unless otherwise indicated, are sourced from Hermes. For more information please read any relevant Offering Documents or contact Hermes.

Issued and approved by Hermes Investment Management Limited ("HIML") which is authorised and regulated by the Financial Conduct Authority. Registered address: Lloyds Chambers, 1 Portsoken Street, London E1 8HZ. HIML and HAIML currently carry out regulated activities associated with Hermes Real Estate Investment Management Limited ("HREIML"). HIML is a registered investment adviser with the United States Securities and Exchange Commission ("SEC"). Telephone calls may be recorded for training and monitoring purposes. Potential investors in the United Kingdom are advised that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

For enquiries contact:

Gareth Davies FIA, Head of Client Relationship Management
Tel: + 44 (0)20 7680 2136 Email: gareth.davies@hermes-investment.com

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