

Hermes Property Unit Trust

Quarterly Update

Q2 18

June 2018

Overview

In the second quarter of 2018 the Trust delivered a total return of 2.4% to unit holders outperforming the Trust's benchmark of 2.2%. During the period the Manager made good progress in asset management activities and the Trust made a number of acquisitions and concluded the sale of one of its West End of London office investments. These activities have led to a reduction in the Trust's exposure to Central London office investments. At end-June 2018 the Trust held 20.4% of its investments in the retail sub-sectors as compared with a benchmark weighting of 29.0%. Along with many investors in UK real estate, the Trust has experienced a number of corporate restructuring of tenants within its holdings. This position is being monitored closely by the Manager, but given the good quality of the Trust's assets this is not a particular concern at present.

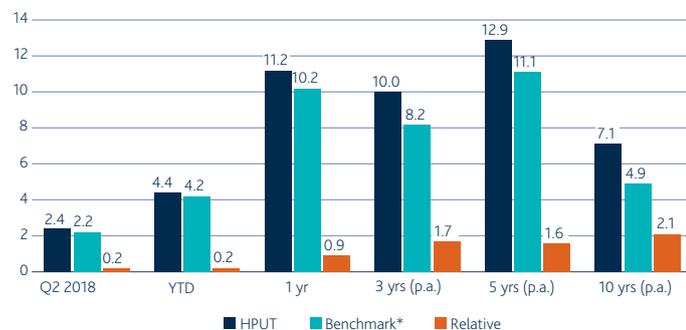
Performance

In Q2 2018 the Trust delivered a total return of 2.4% to unit holders outperforming the Other Balanced benchmark weighted average of 2.2% by 0.2% on a geometric basis. Over the year to June 2018 the Trust delivered a total return of 11.2% to unit holders, outperforming the Other Balanced benchmark weighted average of 10.2% by 0.9% on a geometric basis. Over the 3, 5 and 10 year periods the Trust continues to deliver top quartile returns to its investors and is the top performing fund in the wider All Balanced benchmark peer group over the 10 year period.

At sub-sector level, the Trust's Industrial sector continued to deliver the strongest contribution to portfolio return by increasing the overall return by 1.2%. This was followed by Other/Leisure sector with an increased overall return contribution of 0.1%. During the same period the Retail Warehouses sector reduced portfolio returns by 0.5% and the Trust's West End of London Office investments which reduced returns by 0.2%.

Performance as at end June 2018

Fund v benchmark (%)



*AREF/IPD UK Other Balanced Property Fund Index (Weighted Average). Years to end June 2018, annualised. Returns rounded to 1 decimal place. Relative returns are calculated on a geometric basis net of fees. **Past performance is not a reliable indicator of future results.**

At property level, the investments that delivered the strongest contribution to portfolio return were the Trust's industrial investments Charlton Gate in South East London and Reading Metropolitan in Reading; both increased in value as a consequence of positive investor sentiment for industrial assets. The assets that most reduced the Trust's portfolio return during the quarter were the Maybird Shopping Park in Stratford-upon-Avon and the Trust's Shopping Centre investment in St Albans. Investor sentiment for retail investments is poor and both properties have been impacted to tenant restructuring with tenants effected including New Look, Carluccio and Prezzo.

Transactions

Horizon, Hurley, Maidenhead

In May 2018 the Trust purchased a Freehold multi-let office building in Hurley for £28 million (£339 per sq.ft), reflecting a net initial yield of 6.0%, an equivalent yield of 6.25% and a reversionary yield of 7.0%.

The office building provides a total of 82,656 sq.ft (Net Internal Area) Grade A office accommodation divided into separate suites of up to 26,500 sq.ft.

The building is set in 11 acres and there is likely to be the opportunity for alternative uses in the longer term, subject to planning. The property is fully let to 5 tenants on 6 leases producing a total rental income of £1,786,018 per annum, reflecting an average passing rent of £21.60 per sq.ft.

73 North End, Croydon

For the purposes of site assembly, in April 2018 the Trust purchased a freehold retail premises with basement and upper floor accommodation for £7.65 million. The property directly adjoins the existing HPUT assets, 71 North End and 75-87 North End in the centre of Croydon. With this transaction, HPUT obtains control of an unbroken terrace of seven properties which have a significant redevelopment potential, subject to planning.

Asset Management

During Q2 2018 there have been a number of successful asset management activities:

Erdington Industrial Estate, Birmingham

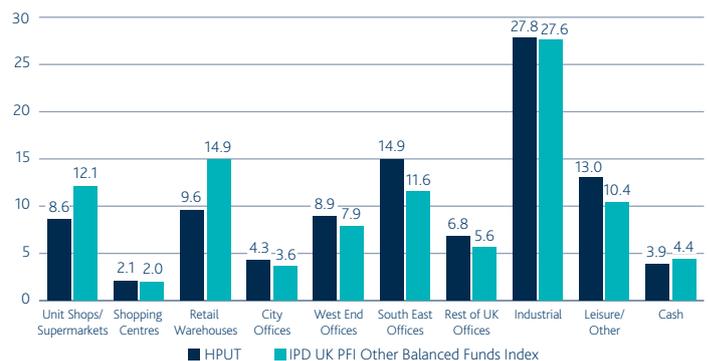
In May 2018 the Manager secured a number of important lettings in three vacant units of the estate covering a total area of 72,000 sq.ft. An agreement for lease was exchanged with FGF Ltd for units 10-11 on a 10 year term to July 2028. The passing rent on the 57,000 sq.ft. units was agreed at £326,000 per annum after tenant incentives. The letting of unit 23 was completed with Zeus Juice Ltd for a 5 year term to May 2023 and this will generate rental income to the Trust of £84,000 per annum after tenant incentives.

Broken Wharf House, London

In May 2018 planning permission was granted for a change of use of the office building to build 113 serviced apartments. The Manager has agreed a lease with SACO for the tenant to refurbish and operate the completed development. The cost of the refurbishment project is expected to cost just over £17 million and this will create a fully fitted serviced apartment scheme with completion expected in the Summer of 2019. This will be accretive to the Trust's total return, it will rejuvenate a prominent building on the River Thames and this will secure rental income for the Trust following completion of the project. Given the change in use, this investment has been reclassified from City of London offices to Leisure/Other.

Portfolio Structure Comparison

Sector Weighting % Total Portfolio Value



Source: Hermes Real Estate and AREF IPD UK Property Fund Index, end June 2018. GAV basis.

Outlook

Although the total returns have been positive for the first half of 2018, there has been a divergence in the performance of the underlying assets: the industrial sector has powered ahead on the basis of good rental growth and strong investor demand, but many retail assets have reduced in value given poor investor sentiment coupled with a very challenging occupier market. We anticipate these trends will continue. The UK economy is expected to continue to grow in the second half of 2018 with PMI numbers indicating growth in the most significant segment of services. The Manager will continue to make prudent investments and selective disposals to ensure the portfolio is positioned to deliver good long term performance for the Trust's investors.

June 2018

Key Statistics

As at end June 2018

Gross asset value	£1,574.6m
Net asset value	£1,574.6m
Directly held assets	84
Indirect real estate vehicles	0
Offer Price	£7.076
Bid Price	£6.592
Net Asset Value per unit	£6.675
Number of unit holders	105
Distribution per unit – paid (Quarter to Jun 18)	6.16p
Distribution per unit – paid (Year to Jun 18)	24.10p
Yield on offer price	3.41%
12 month return to unit holders	11.2%
Quarterly return	2.4%
Bid / Offer spread	6.8%

Source: Hermes Real Estate, end June 2018

Top 10 Direct Holdings by Value Band (GAV)

As at end June 2018

Asset	Sector	Lot Size (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	100+
8/10 Great George Street, London, SW1P	West End Offices	65-70
Polar Park, Bath Road, Heathrow	Industrials	50-55
Horndon Industrial Park, West Horndon	Industrials	45-50
27 Soho Square, London, W1D	West End Offices	40-45
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	40-45
Hythe House, Hammersmith	Standard Offices SE	40-45
Charlton Gate, London	Industrials	35-40
Camden Works, Oval Road, London NW1	Standard Offices SE	35-40
Round Foundry & Marshalls Mill, Leeds	Standard Offices RUK	35-40

Source: Knight Frank Valuations and Hermes Real Estate, end June 2018

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.

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 majority owned by Federated Investors Inc. a leading US investment manager. BT Pension Scheme retains a minority stake and 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: Sixth Floor, 150 Cheapside, London EC2V 6ET. 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 will 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.

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