Interim Financial Statements 2022

Federated Hermes Property Unit Trust
29 September 2022

Federated Hermes
Limited

www.hermes-investment.com/ukw/capabilities/private-markets/real-estate/fhput/

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Financial Highlights

Half Year to 29 September 2022

The Manager continues to focus on delivering sustainable longer term out-performance to its investors.

Net asset value per unit

£7.53

(2021: £6.96)

Unit holders' funds

£1,467m

(2021: £1,365 million)

Distribution per unit

10.79 pence

(2021: 12.63 pence)

Total return to unit holders

0.1%

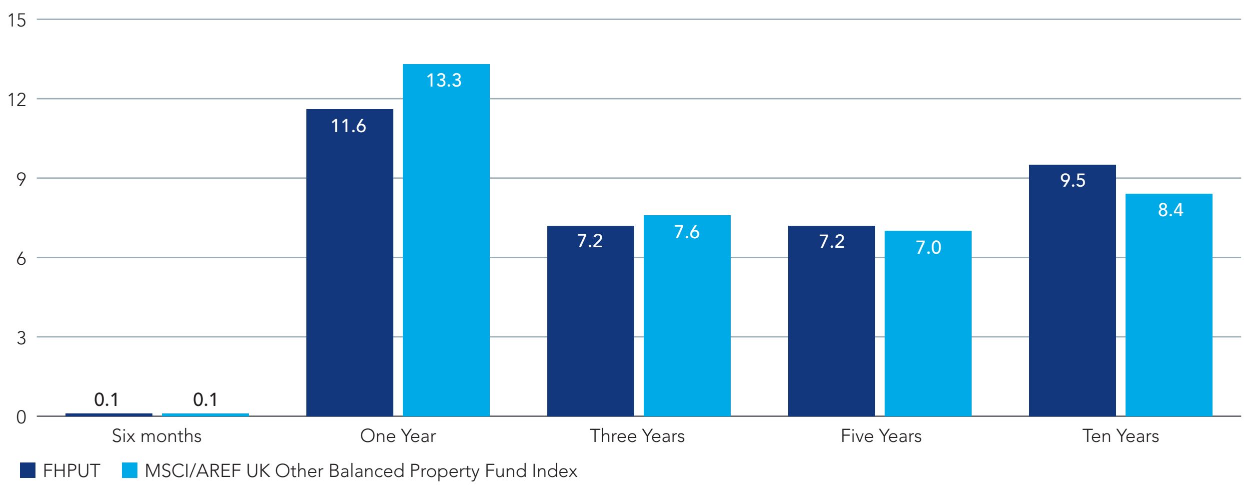
(2021: 8.6%)

Performance for the half year ahead of benchmark

0.0%

(2021: 0.3%)

Unit holder performance – total returns for the period (% p.a.)
As at 29 September 2022



Source: MSCI/AREF UK Quarterly Property Fund Index.

Chairman's Report

David Nicol
Chairman,
Appointments Committee

In the Trust's annual report, I commented on the prevailing macroeconomic challenges that were elevating market uncertainty and volatility. The subsequent six months have seen a further intensification of these tough conditions, with accelerating inflation, rising interest rates and contracting GDP all continuing to impact negatively. The government's 'mini-budget' on the 23rd September created further disruption, most acutely affecting gilt pricing. Whilst the financial markets have since regained relative stability, the near term macroeconomic outlook remains difficult. This, together with a fundamental shift in the cost of capital and reduced market liquidity, has seen a significant deterioration in investor sentiment and pricing for UK commercial real estate. Industrials have been hit hardest by the ongoing correction in valuations, with the historically low yields seen in the sector now reversing out rapidly.

Against this testing backdrop, the Trust delivered a total return to unit holders of 0.1% over the six-month period to the end of September, which was in line with the MSCI AREF Other Balanced Property Fund Index.

The income return remained slightly ahead of the benchmark (1.5% compared to 1.4%) and capital value growth was slightly behind (-1.4% compared to -1.3%). The overall Trust performance for the half year masked material dispersion over the two quarters: the positive returns evident in Q2 as valuations reached a cyclical peak started to reverse in Q3, as increasingly negative investor sentiment started to take hold. Whilst the recent volatility of returns is likely to persist in the short term as valuations correct further, the Trust Manager remains focused on sustainable, long-term returns and continued to deliver upper quartile outperformance over the 10-year period.

The severe liquidity impact on many pension funds as a result of the rapid change in gilt pricing, coupled with ongoing longer term de-risking by mature DB schemes, saw a significant increase in redemptions from real estate funds over the period. In turn, several have subsequently deferred redemptions to allow orderly asset sales and the Trust itself implemented a deferral in August. In anticipation of the worsening market, the Manager had already initiated asset sales and in July completed the previously reported disposal of Horndon Industrial Park, Essex for £92.8m. An office in Tunbridge Wells was also sold in August for £6.9m. In each case, the sale was in line with strategy and at a price materially ahead of the pre-sale valuation. The proceeds from the disposals were used to partially meet redemption requests received in Q2 (a payment of £47.5m) and to clear the debt drawn down from the revolving debt facility (£48.0m).

The Manager continued to progress other disposals over the period in line with its planned sales programme, which complements the long term strategic objectives for the portfolio. The recent stability in financial markets has seen improved traction with prospective buyers. The Trust's deferral provisions have also proved effective in managing the particularly challenging period in the wake of the 'mini budget', protecting the interests of its investors as a whole. The sale of 8/10 Great George Street in Westminster remains a key disposal target for the Trust, both from a liquidity and income enhancement perspective, and the regular reporting updates provided by the Manager will keep unitholders up to date as it makes progress on this and other sales. As at the time of writing, there are four disposals in solicitors' hands, including the Great George Street asset.

On secondary transactions, following £26.0m of matched trades in the Trust's units at the start of the reporting period, the dramatic change in the real estate market has severely dampened secondary activity both for the Trust and across other UK balanced strategies, despite the availability of material discounts to valuation. Given this environment, the Trust had no other secondary transactions in the latter part of the period. However, based on the experience of previous cycles, and as valuations and discounts gradually adjust, the Manager expects the secondary market to remain a useful option in helping to facilitate overall investor liquidity.

The Manager continued its proactive approach in managing the portfolio's assets, reflecting its long term strategic focus on protecting and enhancing income whilst fully integrating ESG across all its activities. In terms of income, the most positive results were once again secured in the industrial sector, where lettings, renewals and rent reviews continued to be agreed at or above estimated rental value due to the still favourable occupational market. Over the six months period, 15 lease deals were completed in the industrial sector and in aggregate increased the portfolio's rental income by £1.6m per annum (2.3%).

On Net Zero-related asset initiatives, several projects were progressed, including installation of electric vehicle charging points, solar panels and replacement of gas-fired boilers. In October 2022 the Trust was awarded three Green Stars in the Global Real Estate Sustainability Benchmark ('GRESB') in recognition of its ongoing application of responsible property investment activities. The Trust scored 77/100, which improved from the previous year, and ranked 15th out of 93 funds in GRESB's UK Diversified/Core Comparison Group.

Looking ahead to the next six months, it is likely to remain a challenging period for UK real estate as ongoing economic, geopolitical and structural headwinds continue to impact both investment and occupational markets. However, the Manager is also cognisant of the potential opportunities created by these episodes to enhance the portfolio, which it has done successfully in previous cycles, and remains committed to a responsibly-led, income focused and proactive strategy that it believes will deliver the Trust's investors continued long term outperformance.

David Nicol
Chairman
21 December 2022

Trust Manager's Report

Strategic Overview

Dermot Kiernan
Fund Director

Performance Objective

The Trust's performance objective is to outperform the benchmark by at least 50 basis points per annum on a rolling three-year basis, but with an emphasis on long-term sustainable returns. FHPUT is a total return strategy and therefore investment returns are a combination of both income and capital gains. FHPUT's investment strategy is fundamentally as a 'long' investor in UK real estate, providing well-managed real estate exposure to long-term investors through the property market cycles.

Portfolio Strategy

The Manager proposes to continue with the current investment strategy of maintaining a balanced, well-let, geographically diverse portfolio with good income growth prospects and continues to seek value in the market. The team seeks to achieve this through a combination of bottom-up stock selection and top-down sector allocations. A thorough understanding of the property fundamentals that drive the occupational markets and a clear focus on investment excellence is essential to achieving sustainable risk-adjusted returns.

Portfolio risk profile & Governance

The manager aims to position the portfolio to continue to deliver strong long-term performance for unit holders while managing an adequate risk profile. The HPUT strategy should be a 'core'-style strategy with certain added-value investments through a core/satellite approach to portfolio construction. It is important to note that the implementation of strategy is monitored by the FHPUT Committee, which is appointed by investors to ensure the portfolio is well managed for the benefit of all investors.

ESG

At the core of Federated Hermes philosophies is the commitment to responsible environmental, social and governance policies and in Real Estate this is part of the Responsible Property Investing. The approach delivers better social outcomes, and our principles of Responsible Property Investment (RPI) are fully embedded in our investment process.

The Manager continues to focus on delivering sustainable longer term performance to its investors and delivered upper quartile out-performance to its investors over the 10-year period.

Horndon Industrial Park

Investment Management Activity

Disposal – West Horndon Industrial Estate, Essex (Industrial)

In July 2022 the Manager completed the sale of the Trust's freehold interest in the industrial park for a net price of £92,905,244 (3.85% triple NIY / £2.41m per acre). The sale reflected a premium of 39% over the pre-sale process (end-February 2022) valuation of £66,600,000.

The estate is located within the West Horndon village boundary and comprises a 39-acre site with a diverse mix of warehouse, industrial, office and open yard accommodation. There are 40 industrial units, 21 office suites and 10 areas for open storage. The estate has been developed and modified over time.

The accommodation was largely built in the 1960/70s with low eaves, restricted yards and is now close to being beyond its economic life. The Trust was cognisant of the increasing environmental risk and obsolescence inherent in maintaining an asset of this age and the potential challenges around future redevelopment.

Horndon Industrial Estate was allocated in the Local Plan for residential development. As part of the business plan, the Manager actively managed the estate through buying in adjacent ownerships and ensured the required lease term flexibility for site assembly of the residential scheme. Over the years the Manager actively worked on obtaining an improved rental tone and took the estate to an almost fully let position prior to sale.

Due to the recent strong demand for Greater London and South East industrials with underlying residential use, the Manager took advantage of disposing of an asset with this optionality and a subsequent marketing appeal for both uses.

Disposal – Wellington Gate, Tunbridge Wells (South East Office)

In August 2022 the Manager completed the sale of the office building for £6.9m (6.2% NIY) and achieved a positive premium above the latest July 2022 valuation (15%). The office building suffered from the changing dynamics in the secondary office market which has seen a decrease in demand. The building was carrying a degree of risk, particularly the increased capital costs to align it to the Trust's overall net zero strategy. The asset was also no longer suitable for the portfolio in terms of lot size and exiting some of the smaller assets is in line with strategy.

Citygate, Manchester (office)

At Citygate House, an imminent break option covering most of the office accommodation was not exercised and thus the Trust has secured a further five years' income (£752,842 per annum). The office building was fully refurbished in 2016. The office has BREEAM in use and BREEAM refurbishment certifications. The building holds an EPC of B.

Peterwood Park, Croydon (industrial)

During the period the Manager agreed a lease renewal with a main tenant on the estate (Day Lewis Medical) for a new 10-year term securing a rental income of £686,000 per annum (£16.90 per sq. ft.). The agreement also secured a 19% uplift in the rental income of the estate. The tenant occupies three units for a total area of approx. 40,600 sq. ft.

Nexus Park, Newbury (industrial)

Lease completed with Likewise Group Plc for a 10,767 sq. ft unit on the estate for a 10-year term with 5-year lease break & review. The lease agreed a rental income of approx. £115,745 per annum which equates to £10.75 per sq. ft (ahead of the ERV of £10 per sq. ft). The unit is part of the recently built stock in the park and it holds an EPC of A.

Guinness Road Trading Estate, Manchester (industrial)

A letting to the University of Manchester completed for a term of 10 years for £82,280 pa / £8.25 psf. The unit was comprehensively refurbished with new LED lighting, electric panel heaters and solar roof mounted array and achieved an EPC of 'A'. Most recently during the period the Manager continued to record positive letting activity and the estate is now fully let delivering an estimated rental income of £1.7m per annum.

Maybird Shopping Park, Stratford Upon Avon (retail warehouse)

The Manager has agreed terms with Pure Gym on a 15-year term (tenant break at 10) at c.£21 per sq ft. The Manager has also exchanged Agreements for Lease for a 15-year lease with Burger King at £110,000 p.a. and completed a letting to German Doner Kebab on a 15-year lease at £42,500 p.a., a premium to ERV. Various other regears and renewals (TK Maxx and Just 4 Pets) progressed well during the period driving the rental income of the asset. As part of the ongoing ESG implementation strategy across the portfolio, the Manager will be installing photo voltaic panels on two units as part of introducing alternative, renewable energy sources. The Manager will be also installing a 12-point ultra-rapid electric vehicle charging hub in the parking space. This is expected to be one of the largest sites in the UK.

The Broadway, Wimbledon (unit shops)

The Manager continued the marketing of the vacant units in the parade and during the period renewed the leases with JD Sports for a 5-year term (with break at 3) at £168,000 p.a. and Subway for a 15-year lease at £50,000 p.a. Two vacant units went under offer to Pure Gym for a 15-year lease (break at 10) at a rent of £245,000 p.a. All activity recorded was ahead of ERV.

Soho Square, London (West End Office)

The end-of-life central gas boiler is to be replaced with an air source heat pump system and installation of a new air handling unit. Following a competitive tender, the replacement of the central HVAC (Heating Ventilation Air Conditioning) plant has been instructed. This is expected to improve the building's EPC from a D to a B and is one of the key initiatives helping to put it on a net zero pathway, in turn enhancing its marketability to prospective tenants following the completion of refurbishments of the 1st, 5th and 6th floors during the period.

Erdington Industrial Park, Birmingham (industrial)

Manager obtained planning consent on the 6 acres of car park land to build a new 100,000 sq. ft. logistics unit. The unit was let temporarily to Stagecoach as a car park unit during the Commonwealth Games. The area is now vacant, and the development project would target BREEAM Excellent and an EPC A. The estate also recorded a new letting with Lions Logistics for a 13,369 sq. ft. unit (including yard) at a lease term of 10 years with a rent review at year 5. Contracted rent of £180,000 per annum (compared to the ERV of £114,000).

M2 City Link, Rochester (industrial)

A logistics and industrial asset that was forward funded by the Trust in 2021 and completed in December 2021. Since practical completion, the estate recorded strong occupier interest and letting activity. During Q3 2022, the last two vacant units have been placed under offer to a potential occupier totaling 16,627 sq ft. on a 10-year lease at £12.75 per sq. ft. Once fully let, the estate will deliver an estimated annual rental income of approx. £1.5m per annum.

Trust Manager’s Report

I am delighted to present the Trust Manager’s Report for the six months to 29 September 2022.

Market context – The six-month period covered in this report saw significant volatility in financial markets due to rising economic and political head winds. The escalation of the Russia-Ukraine war, heightening inflationary and interest rate pressure, and the growing risk of recession all combined to create increased instability and uncertainty, which was further exacerbated by the Government’s ill-fated mini budget on the 23rd September.

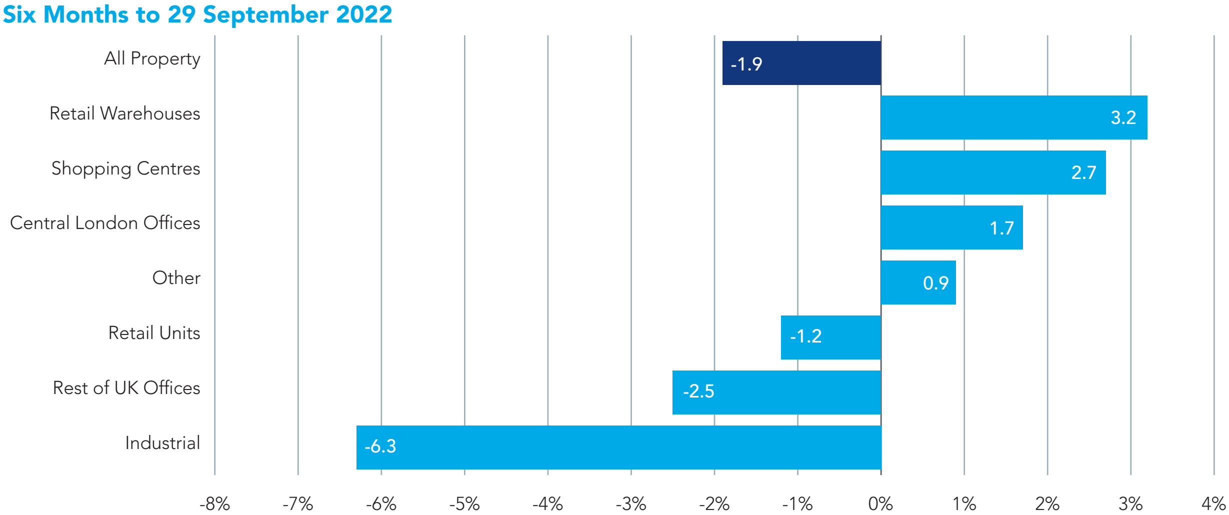
The UK economy started to show signs of slowdown in the first three months of this reporting period but further contraction in the subsequent three months meant that a recession was increasingly likely. In response to the highest inflation seen in 40 years, aggravated by increased energy prices, the Bank of England intervened in raising the base rate from 0.75% at the end of March to 2.25% six months later (followed by a rise to 3.0% at the start of November). The shock caused by the mini-budget’s plan for economic growth through unfunded tax cuts created further instability in an already fragile environment, resulting in severe volatility in the gilt markets.

Against this backdrop, the UK Commercial Real Estate market saw a turning point in the cycle with a significant deterioration in investor sentiment. The industrial sector, following extremely strong performance up to June 2022 through an unprecedent fall in cap rates, experienced the biggest impact on valuations due to a material outward shift in yields. At the same time, the sector continued to see good occupier demand with positive rental growth.

The office sector remained challenged, impacted by the adjustment to ongoing structural changes such as home working and ESG, whilst the retail and leisure sectors also experienced weaker performance trends affected by the deteriorating economic outlook and cost of living squeeze. The residential sector remained pretty much resilient up to the end of the reporting period, with the nation’s fundamental lack of housing stock and increasing mortgage costs supporting continued growth in the private rental market.

Performance – Over the six-month period the Trust delivered a total return to unit holders of 0.1% in line with the MSCI AREF Other Balanced Property Fund Index of 0.1%. The Manager remains focused on income as the principal long-term driver of total returns and is actively seeking to reduce voids within the portfolio to enhance the Trust’s yield. Breaking down the performance the Trust’s income return remained slightly ahead of the benchmark (1.5% compared to 1.4%) and capital value growth was slightly behind (-1.4% compared to -1.3%). The Trust performance for the period masked strong quarterly dispersion and volatility: the positive returns evident in Q2 as valuations peaked started to reverse in Q3 as increasingly negative investor sentiment started to take hold. The Manager continues to focus on delivering sustainable longer-term performance to its investors and delivered upper quartile outperformance to its investors over the 10-year period.

FHPUT property portfolio capital growth by sub-sector (Standing Investment)
Six Months to 29 September 2022



Source: MSCI Real Estate

Note: Standing Investments Only: Capital growth excludes contributions from assets purchased or sold during the period.

Net investment and secondary trading – The surge in gilt yields following the mini budget resulted in a severe liquidity shock for UK pension funds, particularly those schemes with LDI strategies who needed cash to meet margin calls. Coupled with the existing longer-term process of de-risking by some mature DB schemes, this has seen several institutional property funds gate redemptions to allow an orderly disposal of assets. The Trust itself introduced a partial deferral of redemption orders in August. For Q2 and Q3, a small redemption of £0.8m was satisfied in early April 2022 and a partial payment of £45.7m was made towards Q2 orders in October, shortly after the end of the reporting period. Further updates on management of the redemption queue will be communicated by the Trust Manager as part of its regular investor reporting.

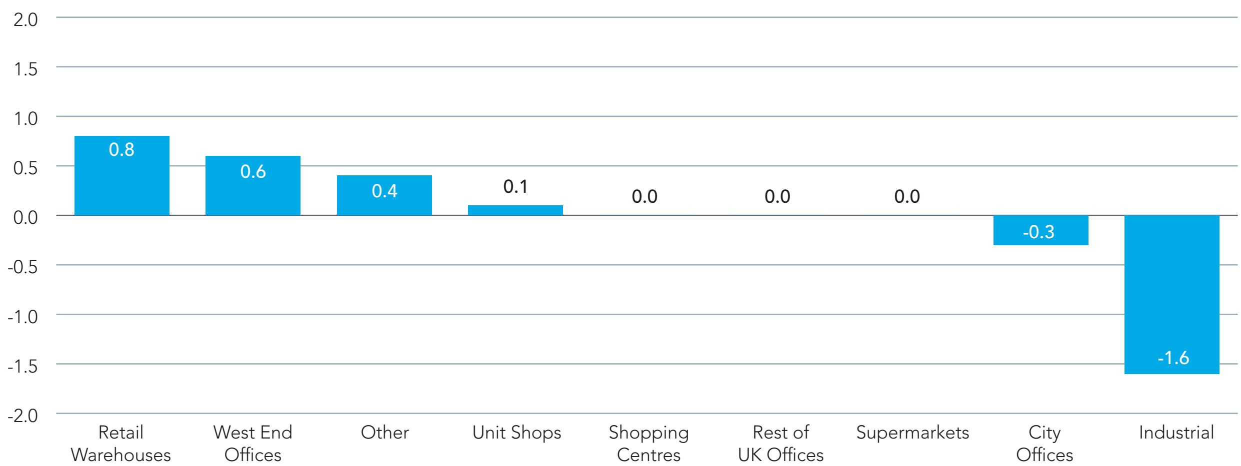
On secondary unit trading activity, in the earlier months of the period there were £26.0m of matched trades, involving both existing and new investors. Since then, the dramatic change in the market resulted in very low interest recorded for units in UK balanced strategies and only at material discounts to valuation. Given this environment, the Trust had no other secondary transactions in the latter part of the period. However, as pricing and discounts adjust, the Manager remains confident that the secondary market will remain a useful option in helping to facilitate overall investor liquidity.

Transactional activity – During the period the Manager completed two disposals for a total of just under £100.0m. Horndon industrial estate completed in July for £92.9m, a premium of 39% over the end of February 2022 valuation (pre-sale process) of £66.6m. In August a Tunbridge Wells office was sold for £6.9m, 15% above its latest valuation. Further detail on both transactions is included in the report's investment activity section.

The proceeds from these sales were used to pay back the drawn debt of £48.0m (which funded the countercyclical purchase of Templars retail park in Oxford) and make the partial payment of £45.7m towards the Q2 redemption queue.

The Manager continued to progress other planned sales over the period which are consistent with its long-term strategy. Whilst the recent market volatility has made this more challenging, the relative stability seen since the reversal of September's mini budget has seen improved traction with prospective buyers at the time of writing. The sale of 8/10 Great George Street in Westminster remains an important target for the Trust particularly given the positive impact this will have on the portfolio vacancy rate and income yield.

FHPUT Sub-sector contribution to Property Returns
Six Months to 29 September 2022 (basis points)



Source: Federated Hermes Real Estate. Estimates property portfolio returns. Gross of fees.
Attribution data is relative to the 'All Property' portfolio returns and is not relative to the benchmark.

Investment management – During the period the Manager continued its 'hands on', active approach in managing the portfolio's assets. Central to this is the strategic focus on protecting and enhancing its income profile, coupled with the integration of ESG across all activities. Details of the most notable transactions are included in the investment activity section on page 8. The Trust obtained its most positive results in the industrial sector where rental levels continued to be agreed at or above estimated levels. Although rapidly weakening investor sentiment over the period has seen outward yield shift and capital value declines, occupier demand has so far remained relatively robust in the sector, benefitting as well from historically low vacancy rates. There was also a pick-up in interest in some of the Trust's Central London offices and its retail properties, with negotiations progressing on potential new lettings and lease renewals. On ESG-related asset initiatives, several projects progressed well in relation to creating social value, enhancing biodiversity & rewilding, installing EVCP (Electrical Vehicle Charging Points) and PV (Photo Voltaic) solar panels.

ESG Data & Performance – The Manager continued its focus on the enhancement and analysis of the portfolio's energy performance which is critical to the strategic net zero pathway and its implementation. In this regard it continued to seek engagement with the portfolio's tenants on their current and planned energy consumption. At property level, the Manager worked with an engineering specialist (Verco) to help determine the net zero roadmap and finalised a deep dive audit into four assets. The objective is to expand this project by collaborating with the UCL (University Central London) Energy Institute to analyse the steps that need to be taken to achieve net zero commitments at asset level. In October 2022 the Trust was awarded three Green Stars in the Global Real Estate Sustainability Benchmark ('GRESB') in recognition of its ongoing application of responsible property investment activities. FHPUT scored 77/100, which improved from the previous year, and ranked 15th out of 93 funds in GRESB's UK Diversified/Core Comparison Group.

FHPUT valuation summary
As at 29 September 2022

Directly Held Properties	Valuation (£m)	% Portfolio	Net Rent (%)	Initial Yield (%)	Net ERV (£m)	Reversionary Yield (%)
Unit Shops	55.9	4.0%	2.8	4.6	3.7	6.3
Supermarkets	46.7	3.4%	2.2	4.5	2.1	4.2
Shopping Centres	15.6	1.1%	1.4	8.3	1.8	11.0
Retail Warehouses	202.6	14.7%	11.3	5.2	11.9	5.5
Offices	390.5	28.2%	16.1	3.9	25.2	6.0
Industrials	514.0	37.2%	17.8	3.2	23.2	4.2
Leisure/Other	157.0	11.4%	6.7	4.0	6.8	4.1
Sub Total	**1382.3**	**100.0%**	**58.3**	**3.9**	**74.7**	**5.1**

Indirect Investments	Net Asset Value (£m)
Cash	84.6
Debt	
Total	**1466.8**

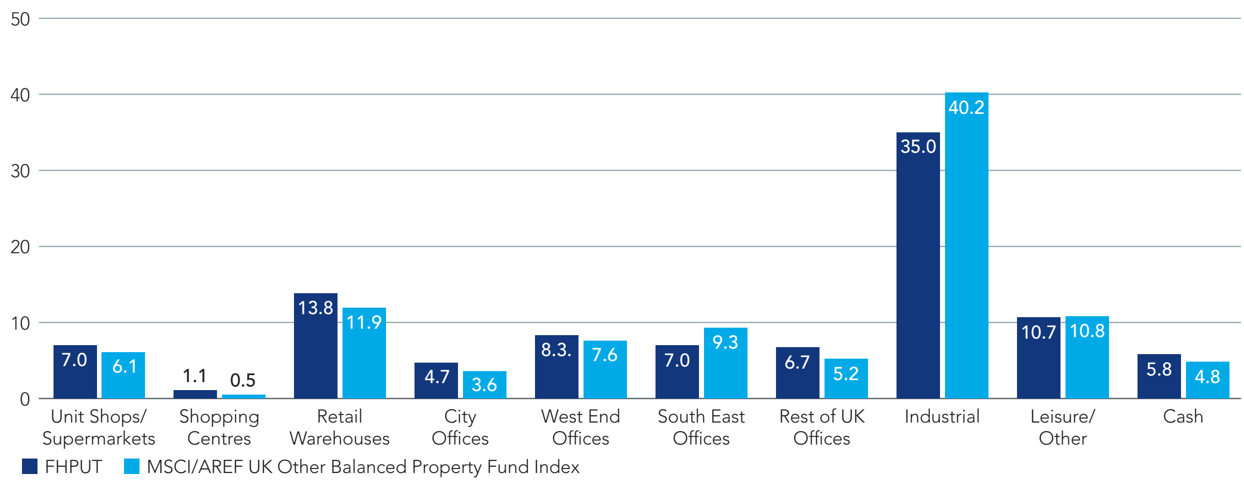
Performance Attribution – The portfolio experienced a dramatic shift in performance over the period, reflecting the increased uncertainty, higher volatility and material change in investor sentiment outlined earlier in this report. This shift manifested itself in the second half of the reporting period, with valuations peaking at the end of June. Having experienced record performance over the last few years, the industrial sector was the main detractor of portfolio performance, reducing the overall returns by -1.6% and delivering a total return of -4.0%. The sector recorded outward yield movement over the second quarter of the period due to negative investor sentiment impacted by a sharp increase in the cost of debt. As noted earlier, the sector continued to experience rental growth reflecting a positive occupier market underpinned by low supply. The highest contributing sectors to portfolio performance over the quarter were those least impacted by valuation declines. Retail warehousing, added 0.8% to all property performance, followed by the West End office sector which contributed 0.6%.

At property level, the top performing contributor to the six-month returns was the vacant office building in Westminster (Great George Street) on the back of continued purchaser interest for conversion to a luxury hotel. The other main contributor was the retail warehouse investment in Stratford-Upon-Avon due to positive letting activity. The greatest reductions to the Trust's portfolio return were two industrial investments in Croydon (Peterwood Park) and Rochester (M2 City Link), both impacted by outward yield shifts.

Portfolio Value and Debt – At September 2022 quarter end, the Trust's underlying direct property portfolio was valued at £1,382.3m. There were 70 direct properties in the portfolio and no indirect assets. The Trust held £84.6m of capital cash which represented 5.8% of GAV compared to the benchmark weighted average of 4.8%. Following the payment of the outstanding drawn debt of £48.0m in August, the revolving debt facility of £75.0m remains available for utilisation until the end of 2023. The debt had been accretive to performance, but its repayment eliminated the impact from rapidly rising interest rates and the ongoing correction in valuations.

Sector Weightings – The Trust's investment allocations to each sector compared to the benchmark are shown below. The biggest change during the period related to industrials, with the sale of West Horndon and relative valuation movements resulting in an underweight exposure compared to the benchmark. The South East office sector also carried an exposure lower than the benchmark, partly reflecting the disposal of the Tunbridge Wells asset. Whilst the Manager is cognisant of the structural changes in relation to home working and ESG requirements, the portfolio holds relatively good quality stock with alternative use potential in several cases. As mentioned previously, the plan to increase the exposure to the Leisure/Other sector (specifically through residential investments) continues to remain a preferred strategy through either change of use on existing stock or new potential acquisitions.

Sector weighting (%) – gross value basis
As at 29 September 2022



Source: MSCI/AREF UK Quarterly Property Funds Indices.

Core/Satellite approach to deliver optimum risk/return

Strategy & Medium Term Target Weighting		Actual Weighting to 29 September 2022	Target outperformance vs benchmark
Core Strategies – 65%	Income returns to underpin distribution yield	75.7%	0.5%
Added Value – 25%	Exploit value enhancing opportunities	16.5%	1.0%
Special Situation Strategies – 10%	Higher risk Higher return Non-core sectors Specialist assets	7.8%	2.0%

Target outperformance per annum over a three year rolling period.

Income, Yields & Voids – As at end of September 2022, the portfolio net initial yield was 3.9% and the reversionary yield was 5.1%. The Trust's distribution yield to investors was above the benchmark weighted average: 3.2% compared to 2.9%. The recent collections statistics for the period showed rent at 98% of the total demanded, reflecting a continued focus on diligent recovery and monitoring of debt provisions.

Having seen an increase in inflationary pressure, the portfolio remained pretty much resilient with 17.3% of the total rental income linked to index-linked leases (RPI). The remaining leases are linked to open market reviews, where in the case of industrial sector rents continued to run at record level increases. The vacancy rate in the property portfolio was at 13.2% of total ERV. Around half of the vacancy is composed of planned voids which include refurbishments or possible asset repositioning. The most notable void is Great George Street, Westminster, which accounts for 4.3%.

The portfolio rental income affected by tenancy administrations, liquidation or CVAs remained limited at 2.9% of the total portfolio ERV as at end of September 2022. Over recent months, the underlying company tenant failure rate has remained low, leading to just a few cases of liquidation or administration. However, the Manager is aware that the worsening economic outlook is likely to increase the level of financial distress over the coming months and it will continue to take a responsible and pragmatic approach with tenants in response. The Trust's income remains supported by a majority composition of good covenants and the underlying quality of the portfolio's investment stock that will help mitigate the impact from the more challenging environment.

Lease Profile – As of 29 September 2022, the Trust had an average unexpired lease term of 6.0 years (adopting MSCI methodology: in the lease expiry calculation, breaks are assumed to be executed) compared to the benchmark of 6.6 years. The exposure to leases less than five years and the risk of deterioration to the occupier markets, tend to impact negatively on value. Nevertheless, the Trust's portfolio continues to have a strategic higher exposure to assets in London, South East and Eastern regions where economic growth, property performance and liquidity is expected to be stronger than the rest of the UK in the short to medium-term. The Trust currently holds 79% of assets by capital value located in London, the South East and Eastern compared with 65% in the Trust's benchmark.

Risk Return Approach – The Trust's investment strategy adopts a 'core/satellite' approach to portfolio management, with the primary core allocation supplemented by progressively higher risk/return allocations to value add and 'special situations'. The Manager remains broadly comfortable with the end September exposures, with the Trust holding 8% of its portfolio in special situation investments and an increased tilt towards the lower risk 'core' and 'added value' strategies sitting respectively at 76% and 16% of the portfolio.

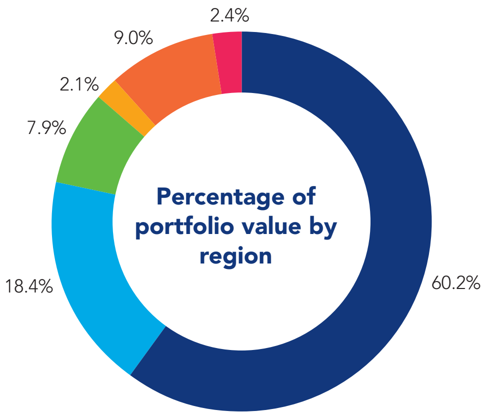
Outlook – Continued high inflation, rising interest rates and concerns over economic growth has seen market sentiment change dramatically in the second half of 2022. The rapid turn in the cycle, following the positive momentum earlier in the year, is particularly impacting those sectors such as industrials which had seen the strongest recent performance as cap rates fell to historically low levels. Due to the inherent lag in real estate pricing, the impact from the prevailing economic and geopolitical head winds will gradually filter through to valuations for the whole market as transactional evidence becomes available. Reflecting these headwinds and an elevated level of prospective sellers, the likelihood is that investment yields will continue to remain under upward pressure in the near term, with valuations in turn falling further in the coming months.

Given the slowing economy, overall rental growth is expected to be negatively impacted. This is, particularly for consumer-facing sectors such as retail and hospitality, but also for offices where economic weakness is likely to prompt cost cutting to release surplus space for businesses adopting hybrid working. The exception may be the sustainable, 'green' offices sought by increasingly ESG-focused occupiers who appear willing to pay a rental premium for this type of space. Industrials remain relatively well-placed to weather the expected recession from an occupational and rental perspective given the sector's low supply and the ongoing shift to online ordering and delivery.

Whilst the overall outlook for UK real estate remains challenging in the near term, the Trust Manager remains committed to a strategy that it believes will continue to deliver long term outperformance through the volatility of ongoing market cycles and structural change. Central to this strategy is its focus on enhancing income, driving active management, optimising purchasing/sales activity and fully integrating ESG through a responsible investment approach.

Direct Property Portfolio

The Trust has a portfolio bias to London, the South East and Eastern with 79.0% of investment held in these regions. This is expected to be beneficial for the future performance of the Trust.



North	9.0%
Industrials	3.7%
Offices	5.3%
Shopping Centres	–
Unit Shops/Supermarkets	–
Retail Warehouses	–
Leisure/Other	–

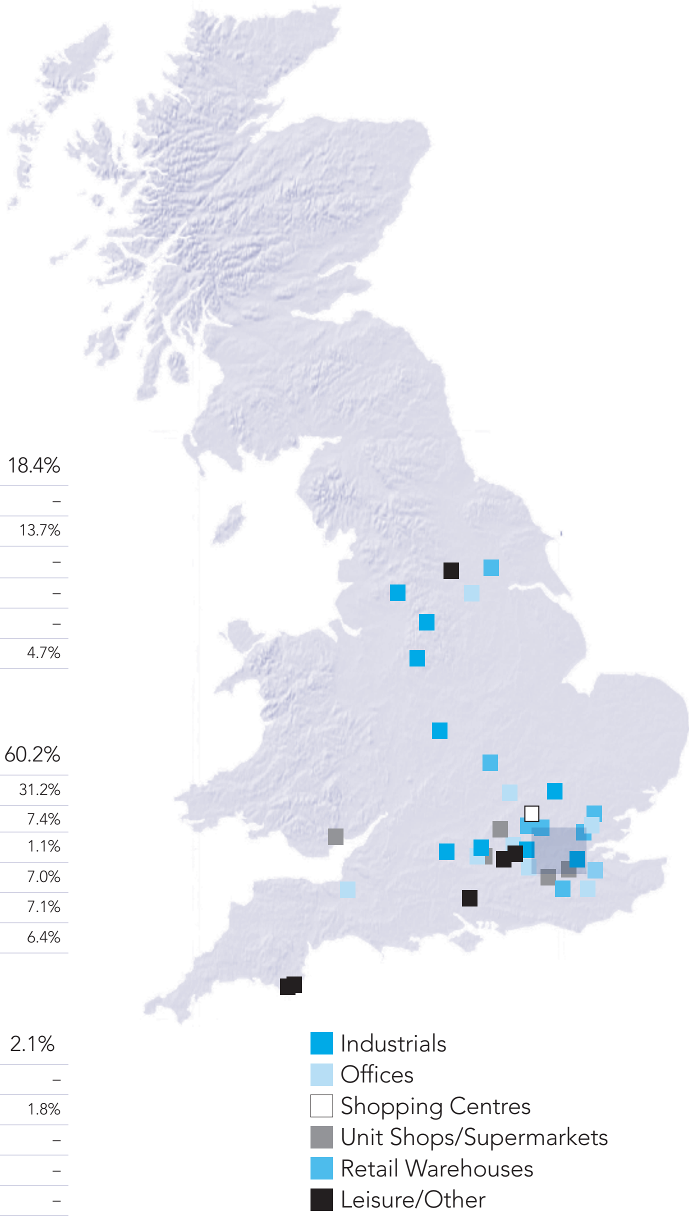
Central London	18.4%
Industrials	–
Offices	13.7%
Shopping Centres	–
Unit Shops/Supermarkets	–
Retail Warehouses	–
Leisure/Other	4.7%

North East	2.4%
Industrials	–
Offices	–
Shopping Centres	–
Unit Shops/Supermarkets	–
Retail Warehouses	2.4%
Leisure/Other	–

South East (excl. London)	60.2%
Industrials	31.2%
Offices	7.4%
Shopping Centres	1.1%
Unit Shops/Supermarkets	7.0%
Retail Warehouses	7.1%
Leisure/Other	6.4%

West	7.9%
Industrials	2.3%
Offices	–
Shopping Centres	–
Unit Shops/Supermarkets	0.4%
Retail Warehouses	5.1%
Leisure/Other	–

South West	2.1%
Industrials	–
Offices	1.8%
Shopping Centres	–
Unit Shops/Supermarkets	–
Retail Warehouses	–
Leisure/Other	0.3%



Responsible Property Investment Strategy

ESG Reporting

During the first half of the year, the Manager completed the GRESB submission for 2021 data and the 2021 reporting for Principles for Responsible Investment (PRI).

GRESB

In October 2022 the Trust was awarded three Green Stars in the Global Real Estate Sustainability Benchmark in recognition of the Trust's ongoing application of responsible property investment activities within the context of delivering good commercial returns to unit holders. FHPUT scored 77/100, which showed an improvement from the previous year, and ranked 15th out of 93 funds in the UK Diversified Peer Comparison Group by GRESB. This shows an increase in the Trust's performance against the previous year.

BREEAM In Use

The portfolio is in the process of recertifying assets which were initially certified in 2018 (re-certification happens every three years). Given delays triggered by the global pandemic and lease terminations, the recent recertification process which was due in 2021 is understandably taking longer to complete. This will be carried out in line with the revised standards bringing the following assets (amounting to 17% of the Trust's year end Net Asset Value) in line with industry best practice:

- Horizon Building, Hurley, Maidenhead
- Round Foundry & Marshalls Mill, Leeds
- One City Place, Chester
- Hythe House, Hammersmith
- Citygate Court, Manchester
- 31 Great George Street, Bristol
- Boundary House, London EC1
- 27 Soho Square, London, W1D

Following on from these plans, recommendations for improvements will be made enabling the assets to decrease their ESG impacts.

Climate Resilience Planning

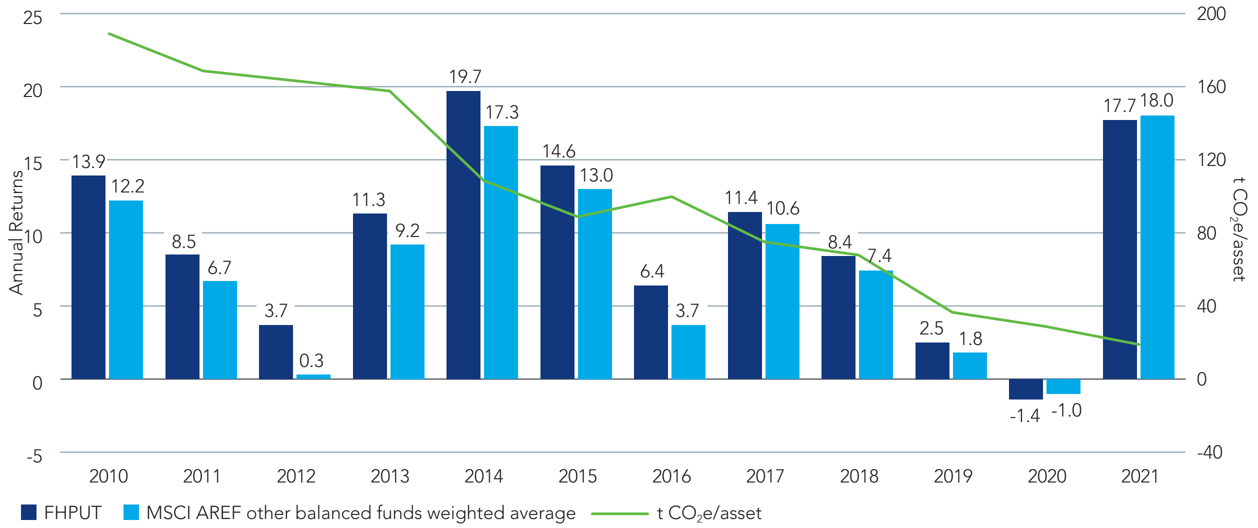
The management and understanding of climate risk has further developed over the last year with the documentation of numerous risks (flooding, sea level rises, typhoons and forest fires) through the use of a leading third-party methodology which allows financial risk to be identified and therefore resources to be target to ensure mitigation is put in place. The reduction of risk ensures that assets maintain their value and continue to provide a location for our tenants and continual income for the trust.

Net Zero Strategy and Pathway

Since Federated Hermes published its Net Zero Pathway in December 2020, the Manager has taken a number of steps towards developing Fund's NZ strategy and its implementation plan. The commitment to meet Net Zero by 2035 has been complemented by setting interim targets for 2025 and 2030. The targets within the commitment are based on the 2018 performance of the current RE portfolio and are aligned with the UK Green Building Council (UKGBC)'s Paris Proof approach. The Manager has also finalised Fund's Net Zero Pathway by carrying out desktop modelling to understand the decarbonisation potential of the Fund in comparison to the Carbon Risk Real Estate Monitor (CRREM) and UK Green Building Council (UKGBC) methodologies. This process provided the scale of investment required to get to Net Zero, investment priorities, key risks and opportunities. The Manager also undertakes asset-level deep-dive net-zero carbon audits across the portfolio. These are being prioritised on the basis of the risk assessment conducted as part of the desktop modelling and near-term key intervention points e.g. planned refurbishments, redevelopments or end-of-life of major plant. The key aim of the net-zero audits is to provide critical asset net-zero review to our investment teams to help with decision making during key asset lifecycle stages.

Once a property is acquired, asset management activities continue to embrace ESG principles.

Delivering ESG targets and financial performance



Source: MSCI / Carbon Intelligence. Past performance is not a reliable guide to future performance.

ST JOHN STREET, LONDON

This entailed refurbishment work of a former warehouse in Spitalfields, London.

The refurbishment made use of the existing building fabric, which was enhanced (cleaned, re-patched, re-pointed and painted) to retain not only the building's character and historic significance, but the embodied carbon within the existing materials as well. Significant work was carried out to make this 19th Century building fit for modern purpose, with a new front entrance, lifts, toilets and showers with improved access and different levels of office space ranging between CAT A+, A and B fit-outs. The exposed building services mean that there is accessibility for enhancements to be carried out in the future without the need for intrusive work

During the refurbishment process, the wider community was considered, with noise agreements made with neighbours and hours on-site controlled to reduce the impact. Attention was also paid to better improve the internal health and wellbeing of the building, with natural lighting, thermal comfort and acoustic upgrades made to provide a better working space for occupiers. The space is located close to the new Elizabeth line and is in close proximity to numerous cycle routes to encourage reduction in vehicle emissions.

Environmental improvements saw the EPC raised from a G to a C, with work done to improve the air tightness, solar gain reduction, and powered blinds on the 3rd and 4th floors to further decrease heat stress on the internal space and reduce the amount of air conditioning required. Separate utility sub-metering has been installed to cover the space heating, domestic hot water, small power, and lighting usage. Additionally, the occupier space is covered by sub meters to enable the calculation of Scope 3 emissions in the future. A green roof has been included which will not only increase biodiversity and act to retain rainwater, but also keep the building cool during warmer weather.

Climate resilience is another key factor, with thermal modelling being undertaken for various future-weather scenarios and water use reduced to lessen the burden on local water supplies. A full flood risk survey was also undertaken and used to inform the design with no net increase in impermeable surfaces created.

The resulting refurbishment has led to the rejuvenation of a building that lies at the heart of the local community, and now benefits from improved environmental and health and wellbeing credentials.

SOHO SQUARE

This pre-war mid-rise office block located in the middle of London shows how it is possible to use modern smart technology to greatly decrease the amount of energy required to run a modern office within an older building shell.

Since acquisition, the plant's efficiency has been increased through smart technology used to analyse energy usage and streamline consumption, while work on the air handing units (AHUs) which includes outside air temperature controls has also been undertaken.

Within the last nine years since acquisition the building has seen a 63% reduction in energy use which equates to 140kwh/m^2/year placing it on the current UKGBC energy use intensity pathway for net zero by 2035 in line with our target. This has been coupled with a move to landlord-sourced renewable electricity which has reduced the asset's carbon emissions from over 300t CO_2e per year in 2012 to 43t CO_2e per year in 2021.

The future-proofing of the site is set to continue with the move from fossil fuel heating to onsite renewables incorporating climate resilience through the moving of important plant from a basement location to a roof top solution, which further reduces the risk of flooding and prolongs the building's life span. This approach demonstrates that the building type is not a barrier to the reduction of the energy consumed and the carbon emissions from the built environment.

Responsibilities and Governance

Responsibilities and Governance

Appointments Committee

The Appointments Committee is appointed to act on behalf of Unit Holders – it is responsible for the appointment and removal of the Trust Manager, the Trustee, the independent auditors, each subject to ratification by Unit Holders, and the independent valuers, and the remuneration of both the Trust Manager and Trustee.

The Appointments Committee is also required by the Trust Deed to approve the financial statements of the Trust at the end of each annual accounting period – such financial statements are considered by the Unit Holders annually at the Trust's Annual General Meeting. The Appointments Committee has taken all reasonable steps to ensure compliance with its responsibilities.

New members of the Appointments Committee are appointed by Unit Holders at the Trust's Annual General Meeting; at least one third of the members are considered for re-election each year. The Appointments Committee met two times during the period.

> **The Trust Manager manages and administers the Trust in accordance with the Trust Deed and has responsibility for all portfolio and risk management matters.**

The Appointments Committee is supported by the following two Committees:

Audit Committee

The Audit Committee's principal responsibilities include:

- reviewing the unaudited interim financial statements and annual financial statements prior to submission to the Appointments Committee including advice on whether they are fair, balanced and understandable;
- discussing issues and management recommendations that arise with the external auditors;
- agreeing any non-audit services; and

> **The Appointments Committee approve the financial statements at the end of each annual accounting period before consideration by the Unit Holders at the Trust's Annual General Meeting.**

- considering major findings from any controls reports produced by external or internal auditors.

During this financial period, the Audit Committee's actions included:

- Reviewing the annual financial statements prior to submission to the Appointments Committee, including advice on whether they are fair, balanced and understandable and;
- Completing an audit tender review for the Trust and selecting a new audit firm to recommend to the Trust's unit holders.

As a result of this activity the Audit Committee were able to conclude that the interim and annual financial statements were fair, balanced and understandable.

In accordance with best practice, the Audit Committee reviews the audit quality and independence on an annual basis. The Audit Committee considered the independence, objectivity and effectiveness of the Trust's auditors and concluded that these have been satisfactorily demonstrated for the six months ended 29 September 2022.

The members of the Audit Committee are Andrew McIntyre, who acts as Chairman, Charles Maudsley and Frances Davies.

Nominations Committee

The Nominations Committee meets as and when required and considers the appointment of new members. It is chaired by the Chairman of the Appointments Committee and its members are Sue Clayton and Andrew McIntyre.

Trust Manager

The Trust Manager is required to manage and administer the Trust in accordance with the Trust Deed and has responsibility for all portfolio and risk management matters. It is responsible for the approval of amounts to be distributed and for the issuance of financial statements subject to approval by the Appointments Committee.

In June 2013, the Trust Manager formed the FHPUT Committee through which it considers certain matters on behalf of Unit Holders including investment constraints. It comprises only the members of the Appointments Committee and met twice during the period.

The FHPUT Committee is supported by the Asset Plan Committee. The Asset Plan Committee's duties include the detailed review of the investment process and of the strategic property plans for each individual asset within the Trust's portfolio. Its membership consists of Sue Clayton (Chairman) and Charles Maudsley.

Statement of Trust Manager's responsibilities in respect of the financial statements

The Trust Manager is responsible for preparing the non-statutory Trust financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), and the Trust Deed. The Trust Manager must not approve non-statutory financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Trust and of the profit or loss of the Trust for that period. In preparing the non-statutory financial statements, the Trust Manager is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the non-statutory financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Trust Manager is responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trust Manager is also responsible for keeping adequate accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Trust.

Trustee

The role of the Trustee includes:

- ensuring that the Trust is managed by the Trust Manager in accordance with the Trust Deed and that proper accounting records have been maintained;
- safeguarding the property of the Trust and the rights attaching thereto by way of segregation and identification of assets; and
- taking all reasonable steps to ensure the investment and borrowing powers are complied with.

Governance

The Appointments Committee and the Trust Manager are committed to a high standard of corporate governance in the operation of the Trust.

Regulation and Legislation

The Trust Manager is responsible for dealing with its regulator, the Financial Conduct Authority, in an open and co-operative manner. The Trust Manager will inform the regulator promptly of anything concerning the Trust which might reasonably be expected to be disclosed.

The Trust Manager is also responsible for ensuring that all applicable legislation and regulations including but not limited to the Alternative Investment Fund Managers Directive and the Bribery Act 2010 are complied with by the Trust. It is required to maintain adequate procedures that ensure compliance with such legislation and it monitors that such procedures are adhered to.

Conflicts of Interest

The Appointments Committee and the Trust Manager will seek to avoid any conflict of interest arising. Should a conflict arise, they have a duty to ensure fair treatment of all Unit Holders.

Financial Statements

Consolidated Statement of Total Return

For the half year ended 29 September 2022

	Unaudited half year ended 29 September 2022 £'000	Unaudited half year ended 29 September 2021 £'000	Audited year ended 25 March 2022 £'000
Net (loss)/gain on investments	(20,285)	**86,281**	216,450
Rental income	29,980	**31,993**	62,999
Service charge income	4,778	**4,660**	8,721
Property expenses	(13,117)	**(12,177)**	(23,441)
Net property income	21,641	**24,476**	48,279
Management expenses	(1,443)	**(1,038)**	(2,296)
Net operating income before interest, finance costs and taxation	20,198	**23,438**	45,983
Share of results of investment in joint venture	763	**837**	1,709
Interest receivable	326	**5**	10
Interest payable and similar charges	(450)	**(427)**	(848)
Net income before tax	20,837	**23,853**	46,854
Taxation	–	**–**	–
Net income	20,837	**23,853**	46,854
Total income for the period before distribution	552	**110,134**	263,304
Finance costs – distributions to unit holders	(21,035)	**(24,769)**	(47,210)
Change in unit holders' funds attributable to unit holders	(20,483)	**85,365**	216,094

Consolidated Balance Sheet

As at 29 September 2022

	29 September 2022 (Unaudited) £'000	29 September 2021 (Unaudited) £'000	25 March 2022 (Audited) £'000
Fixed assets			
Property investments	**1,338,182**	1,314,433	1,450,780
Investment in joint venture	**27,805**	25,422	28,644
	1,365,987	1,339,855	1,479,424
Current assets			
Debtors	**36,124**	50,454	43,312
Cash and deposits	**103,173**	67,171	55,954
Total current assets	**139,297**	117,625	99,266
Current liabilities			
Creditors	**(27,496)**	(30,448)	(30,579)
Amounts payable to unit holders	**(10,389)**	(13,655)	(11,506)
Total current liabilities	**(37,885)**	(44,103)	(42,085)
Net current assets	**101,412**	73,522	57,181
Non current liabilities			
Bank borrowings	**89***	(47,882)	(47,847)
Net assets	**1,467,488**	1,365,495	1,488,758
Represented by:			
Capital of unit holders			
Units in issue	**615,437**	623,690	616,224
Less: Capital expenses	**(50,556)**	(50,918)	(50,358)
	564,881	572,772	565,866
Net realised profits on sales of property	**527,004**	474,993	474,985
Unrealised profit on property	**375,603**	317,730	447,907
Unit holders' funds	**1,467,488**	1,365,495	1,488,758
Capital employed	**1,467,488**	1,365,495	1,488,758

These Financial Statements were approved by the Appointments Committee on 29 November 2022.

*The balance above relates to unamortised costs on loan facility which are yet to be fully amortised until the facility expiry date of 31 December 2023.

Consolidated Statement of Changes in Net Assets Attributable to Unit Holders

For the half year ended 29 September 2022

	Units in issue £'000	Capital expenses £'000	Net realised profits on sale of property £'000	Unrealised profit £'000	Revenue reserve £'000	Net assets £'000
At 25 March 2021	623,690	(50,002)	474,995	231,447	–	1,280,130
Profit for the period	–	–	–	–	263,304	263,304
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	263,304	263,304
Transfer to capital reserve	–	–	(10)	216,460	(216,450)	–
Capital expenses	–	(356)	–	–	356	–
Units redeemed	(7,466)	–	–	–	–	(7,466)
Distributions to unit holders	–	–	–	–	(47,210)	(47,210)
At 25 March 2022	**616,224**	**(50,358)**	**474,985**	**447,907**	**–**	**1,488,758**
At 25 March 2022 (Audited)	**616,224**	**(50,358)**	**474,985**	**447,907**	**–**	**1,488,758**
Profit for the period	**–**	**–**	**52,019**	**(52,019)**	**552**	**552**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**52,019**	**(52,019)**	**552**	**552**
Transfer to capital reserve	**–**	**–**	**–**	**(20,285)**	**20,285**	**–**
Capital expenses	**–**	**(198)**	**–**	**–**	**198**	**–**
Units redeemed	**(787)**	**–**	**–**	**–**	**–**	**(787)**
Distributions to unit holders	**–**	**–**	**–**	**–**	**(21,035)**	**(21,035)**
At 29 September 2022 (Unaudited)	**615,437**	**(50,556)**	**527,004**	**375,603**	**–**	**1,467,488**

Consolidated Cash Flow Statement

For the half year ended 29 September 2022

	Unaudited half year ended 29 September 2022 £'000	Unaudited half year ended 29 September 2021 £'000	Audited year ended 25 March 2022 £'000
Net cash inflow from operating activities	**24,428**	18,948	49,388
Capital expenditure			
Property acquisitions and capital additions	**(4,996)**	(8,619)	(18,045)
Capital expenses	**(198)**	(175)	(356)
Proceeds from sales of investments	**98,671**	–	–
	93,477	(8,794)	(18,401)
Returns on investments and servicing of finance			
Interest receivable	**326**	5	10
Distributions paid	**(22,152)**	(23,634)	(48,223)
	(21,826)	(23,629)	(48,213)
Financing			
Long term bank borrowing	**(48,073)**	–	–
Units issued in the period	**–**	–	–
Units redeemed in the period	**(787)**	–	(7,466)
	(48,860)	–	(7,466)
Increase/(decrease) in cash and deposits	**47,219**	(13,475)	(24,692)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in available cash during the period	**47,219**	(13,475)	(24,692)
Increase/(decrease) in net funds during the period	**47,219**	(13,475)	(24,692)
Opening cash and deposits attributable to unit holders	**55,954**	80,646	80,646
Closing cash and deposits attributable to unit holders	**103,173**	67,171	55,954

Notes to the consolidated financial statements (unaudited)

For the half year ended 29 September 2022

1. Accounting policies

Basis of Accounting

The financial statements have been prepared on a going concern basis in accordance with the historical cost convention as modified by the revaluation of investments and in accordance with applicable UK generally accepted accounting principles, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102'') and the Trust Deed.

The accounting policies applied are consistent with those of the financial statements for the year ended 25 March 2022 and are described in those annual financial statements.

Valuers' Report to the Trust Manager

In accordance with our appointment dated 13 May 2011, we have prepared the following short Valuation Report. We are instructed as Independent Valuers to provide the Trust Manager with our opinion of the Market Value of all freehold and leasehold properties held by Federated Hermes Property Unit Trust, for financial reporting purposes.

We are of the opinion that the aggregate of the Market Values of the freehold and leasehold properties as at 29 September 2022 was **£1,382,250,000 (One Billion, Three Hundred and Eighty Two Million, Two Hundred and Fifty Thousand Pounds).**

We confirm that the valuation has been undertaken by us as qualified valuers in accordance with the current edition of RICS Valuation – Global Standards, which incorporate the International Valuation Standards. References to the "Red Book" refer to either or both of these documents, as applicable. As required by the Red Book, some key matters relating to this instruction are set out below.

Market Value is defined in the Red Book as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In our opinion there is no material difference in the Market Values now reported and the "Fair Values" of the properties, derived in accordance with the RICS Valuation – Professional Standards VPS4 (7.1) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements which adopt the definition of Fair Value used y the International Accounting Standards Board:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."

As agreed with Federated Hermes Real Estate Investment Management Limited, our valuations are based on information provided by them, upon which we have relied and which has not been verified by us. Our assumptions (as defined in the RICS Red Book) relating to this information are set out below.

The valuer's opinion of Market Value was primarily derived using recent comparable market transactions on arm's length terms, where available, and appropriate valuation techniques (the Investment Method).

We have assumed there to be good and marketable titles to the properties. The properties have been valued individually, not as part of a portfolio. We have made oral enquiries of the appropriate planning authorities and have taken into account, insofar as we are aware, unusual outgoings, planning proposals and onerous restrictions or local authority intentions that affect the properties. No allowance has been made in our valuation for expenses of realisation or for taxation that may arise in the event of development or disposals, and our valuations are expressed exclusive of any VAT that may become chargeable. Our valuations reflect usual deductions in respect of purchaser's costs and, in particular, full liability for UK Stamp Duty as applicable at the valuation date.

We have been provided with copies of headleases and leases in some instances. In respect of recent purchases we have been provided with copies of the Trust's solicitors' reports on title. The portfolio is valued by us ona monthly basis for unit pricing purposes and the properties are re-inspected on a regular basis.

Our valuations are based on measurements that have been provided by Federated Hermes Real Estate Investment Management Limited as the Real Estate Investment Manager of FHPUT, which were carried out in accordance with the RICS Code of Measuring Practice. In some cases, the areas are provided following rent review or letting.

The adoption of IPMS (International Property Measurement Standards), for the office sector, became mandatory with effect from 1st January 2016 for all RICS members replacing NIA (Net Internal Area) as set out under the current Code of Measurement Practice (Sixth Edition). It has been agreed with you that until the new definition of measurement has been adopted by the leasing market, rental analysis for the office sector will continue to be shown on a net internal area basis. As or when buildings are re-measured, we will present our analysis on a dual basis, namely IPMS and NIA.

We have not carried out structural surveys on the portfolio and are unable to report that the properties are free of any structural fault, rot, infestation or defect of any other nature, including inherent weakness due to the use in construction of materials now suspect. No tests were carried out on any of the technical services.

There is currently no standard approach to either the provision or the interpretation of ESG-related data and property benchmarking. In arriving at our opinion of value, we have therefore interpreted the information available to us as we consider market participants would reflect this.

Minimum Energy Efficiency Standards are the standards set out by the Government for let properties in England and Wales. Buildings that have an EPC rating of F and G must be brought up to standard before they are let subject to some conditions, exemptions and relief. This commenced from 1 April 2018 for all new lettings and they apply to all continuing lettings from 1 April 2020 for domestic buildings and from 2023 for non-domestic buildings.

For Scottish properties, the Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016 came into force in Scotland in 2016 and does not incorporate a "ban" on new lettings. Owners are encouraged to carry out improvements, or improve efficiency through monitoring emissions from a building via creating an Action Plan. The Action Plan procedure will apply to the sale or letting of larger buildings, with a floor area >1,000 sq m. This only applies to buildings that are subject to a new sale or lease and buildings constructed to building standards applicable from March 2002, or otherwise meeting those standards, are exempt.

Where we have been provided with the EPC rating, we have taken into account any capital expenditure that you have provided to us to improve the demise, to enable the property to be let.

The aftermath of the Grenfell Fire on 14 June 2017 has resulted in a wholesale review of the regime relating to fire safety. This is in addition to the public inquiry that has been established to investigate the circumstances of the fire.

The Independent Review of Building Regulations and Fire Safety led by Dame Judith Hackitt was published in May 2018. One of the key recommendations of the Hackitt Review was for a new Building Regulations regime for residential buildings of 10 storeys (30m) or higher. The Government has not yet stated which measures recommended in the Hackitt Review will be implemented or the timing of any such regulatory changes. However, it announced that Building Regulations would be amended from 21 December 2018 to ban the use of combustible materials on the external walls of new buildings over 18m containing flats, as well as, inter alia, buildings such as new hospitals, residential care homes and student accommodation. The ban also affects existing buildings undergoing major works or undergoing a change of use.

Although this review is focused on fire safety of tall residential buildings, many property occupiers and owners across all property sectors have become far more aware of fire safety issues since the Grenfell Fire. Consequently, the valuation has been undertaken in the context of an evolving regulatory environment, with higher levels of due diligence being undertaken, in respect of fire safety issues during acquisition and project construction, amongst market participants.

We have assumed, except where we have been informed to the contrary, there to be no adverse ground or soil conditions or environmental contamination which would affect the present or future use of the properties and that the load bearing qualities of the site of each property are sufficient to support the buildings constructed or to be constructed thereon.

Save as otherwise disclosed, it has been assumed for the purpose of valuation that the relevant interests in the properties are free of mortgage, charge or other debt security and no deduction has been made for such charge or debt.

Our valuations assume that the properties would, in all respects, be insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Those properties previously held within the Tower Hill Retail Limited Partnership (B&Q Chelmsford and St Albans Retail Park Phases 1 & 2) are reported at 50% interest directly within FHPUT.

We set out below the respective total valuations for the directly held properties and Tower Hill Retail Limited Partnership properties, allocated by tenure.

Directly Held Properties	Freehold £	Leasehold £	Total £
Federated Hermes Property Unit Trust Held as Investments:	£1,232,775,000	£120,575,000	£1,353,350,000
Tower Hill Retail Limited Partnership Held as Investments:	£28,900,000	–	£28,900,000
Total:	**£1,261,675,000**	**£120,575,000**	**£1,382,250,000**

The valuer, on behalf of Knight Frank LLP, with the responsibility for this report is Gillian Bowman, MA MRICS IMC, RICS Registered Valuer. Parts of the valuation have been undertaken by additional valuers, as listed on our file. We confirm that the valuer and additional valuers collectively meet the requirements of RICS Valuation – Professional Standards VPS 3 having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

We confirm that Knight Frank LLP meets the requirements of the Trust in the role of Independent Valuer having been appointed in 1996. The signatory of this report has been responsible for this instruction since January 2022. We further confirm that in relation to Knight Frank LLP's preceding financial year the proportion of the total fees paid by the Trust to the total fee income of Knight Frank LLP was less than 5%. We recognise and support the RICS rules of conduct and have procedures for identifying conflicts of interest. We are providing an objective and unbiased valuation.

In accordance with our standard practice, we must state that this Valuation Report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

If our opinion of value is disclosed to persons other than the addressees of this Report, the basis of valuation should be stated. Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

Yours faithfully

Gillian Bowman MA MRICS IMC
RICS Registered Valuer
For and on behalf of
Knight Frank LLP

Reviewed (but not undertaken) by:

Hazel E Morris MRICS
RICS Registered Valuer
For and on behalf of
Knight Frank LLP

Investor Information

Distribution Analysis and Expense Ratios

Quarterly distribution	Quarter to 24 June 2022 £000	Quarter to 29 Sep 2022 £000	Total £000
Net distribution	10,647	10,389	21,036

Distribution per unit	Quarter to 24 June 2022 pence	Quarter to 29 Sep 2022 pence	Total pence
Net distribution	5.463	5.330	10.793
Date paid	15 Aug 22	15 Nov 22	

The gross yield on net asset value at 29 September 2022 was 3.2%. The yield on offer price at 29 September 2022 was 3.0%.

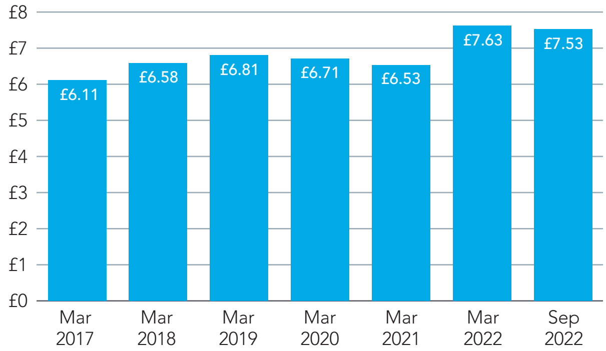
Net income is distributed quarterly on 15 February, 15 May, 15 August and 15 November for the periods ended 25 December, 25 March, 24 June and 29 September respectively, or the business day prior to those dates. Income accrues monthly to unit holders to each registration date (usually 26th of each month). Distributions are made net of income tax and management expenses. The Trust Manager has no ability to defer/suspend contributions.

	Year to 29 September 2022		Year to 25 March 2022	
Total expense ratios	£'000	% of average NAV	£'000	% of average NAV
Fund Management Fees	5,876	0.40%	5,588	0.40%
Fund Operating Expenses	1,699	0.11%	1,306	0.09%
Total Expense Ratio	7,575	0.51%	6,894	0.49%
Property Expense Ratio	9,023	0.61%	6,523	0.47%
Real Estate Expense Ratio	16,553	1.12%	13,417	0.96%
Transaction Costs	1,037	0.07%	41	0.00%
Performance Fees	–	0.00%	–	0.00%

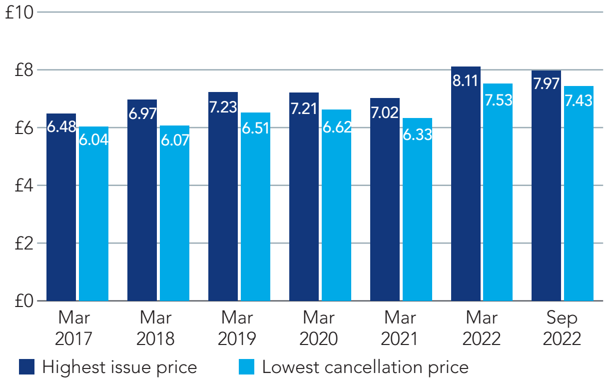
The Trust's portfolio turnover ratio was 6.10% (25 March 2022: 0.37%). The total expense ratios are calculated in accordance with AREF principles, which are available from **www.aref.org.uk**. Fund management fees include fees paid to the Trust Manager. Total fees payable to the Real Estate Investment Manager in a calendar year are capped at 0.80% of the December net asset value as described in note 14 to the annual financial statements. Property expenses include service charge shortfalls and other property expenses. Fund operating expenses represent management expenses and valuation fees. These figures do not agree to note 3 and 4 of the financial statements because all expenses are included for the properties held in Joint Ventures for the purpose of calculating the TER. The performance fees as a percentage of average net asset value for the year can exceed 0.40% because they are calculated, and the fee cap is applied based on a net asset value at the end of a calendar year as described in note 15 to the financial statements whereas the Trust's year end is 25 March. All the costs above are borne from the Fund and paid from income, with the exception of performance fees which is paid from capital. The Trust retains no commission and service charge rebates. The total expense ratios have been calculated consistently with prior years.

Unit Holder Information

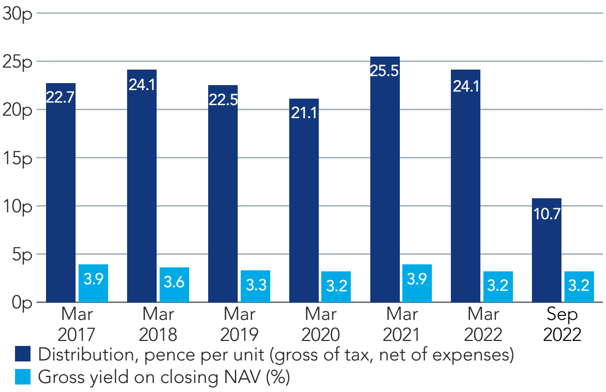
Net Asset Value Per Unit



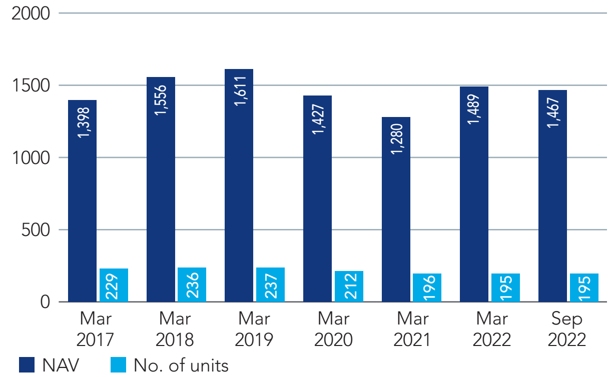
Bid Offer Price Variation (£)



Distribution Per Unit



NAV and total number of units (million)



The fund's bid and offer prices and the NAV have been determined in accordance with AREF's Fund Pricing Recommendations (August 2014). The fund is priced at the 'Standard NAV' for all investors.

The proportion of total number of units in issue

	Number of unit holders	Total Holding (%)
< 3%	83	59.22%
3% – 10%	8	40.78%
10% – 20%	0	0.00%
> 20%	0	0.00%
Total	**91**	**100%**

	Number of unit holders	Total Holding (%)
Internal investors	0	0.0%
External investors	91	100.0%
Total	**91**	**100.0%**
Largest investor	**1**	**7.75%**
Ownership held by top 5 investors	**5**	**33.5%**

As at 29 September 2022.

Unit Prices

Month	Offer (£)	Bid (£)
September 22	7.97	7.43
August 22	8.18	7.62
July 22	8.34	7.62
June 22	8.48	7.87
May 22	8.43	7.83
April 22	8.28	7.67
March 22	8.11	7.53
February 22	7.86	7.23
January 22	7.81	7.25
December 21	7.75	7.19
November 21	7.60	7.06
October 21	7.50	6.97

Unaudited

Alternative Investment Fund Managers Directive (AIFMD) – Remuneration disclosure

Hermes Alternative Investment Management Limited ("HAIML"), manager of Federated Hermes Property Unit Trust ("FHPUT"), is authorised by the FCA as an AIFM and appointed as such, with effect from 22 June 2014.

Requirements for compliance with the AIFMD in the UK are set out in the FCA Investment Funds sourcebook (FUND). Rule FUND 3.2.2 in this sourcebook requires certain information to be provided to prospective investors.

The FCA's general guidance on the AIFM Remuneration Code (SYSC 19B) was published in January 2014. Under the Code, the Remuneration Committee of Hermes Fund Managers Limited in its oversight of HAIML must make relevant remuneration disclosures no later than six months following the end of the financial year, splitting remuneration into fixed and variable remuneration and breaking down remuneration for the category of AIFM Code Staff which is defined as all staff whose professional activities have a material impact on the risk profiles of the AIFM or of the Alternative Investment Funds ("AIFs") the AIFM manages.

Code Staff in HAIML are defined as the directors, members of the management board, employees performing a significant influence function and other senior managers and head of control functions.

Hermes Remuneration Committee approves the list of AIFM Code Staff annually. In addition, AIFM Code Staff are notified of their status and the implications of this annually.

Approach to Remuneration

FHPUT is managed by HAIML, which is a subsidiary of Hermes Investment Management ("Hermes").

The Remuneration Committee of Hermes has established a Remuneration Philosophy/Policy and its purpose is to ensure that the remuneration of employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation across Hermes and the AIFM.

This approach applies to HAIML and the AIFs it manages.

Employee remuneration disclosure

The total amount of remuneration paid by HAIML to its staff is zero, as all AIFM staff are employed by Hermes.

The table below provides an overview of the following:

- Aggregate total remuneration paid by Hermes to all employees that support HAIML; and
- Aggregate total remuneration paid by Hermes to all HAIML AIFM Remuneration Code Staff.

Please further note that due to the roles of AIFM staff, this remuneration is in respect of the provision of services to other companies in Hermes as well as other funds of HAIML. The remuneration figures have been prorated against the AIFM's AUM relative to Hermes'. 'Fixed remuneration' includes 2021 Leavers.

	Headcount	Total Remuneration (£'000s)
Hermes employees that also cover HAIML	**407**	**1,911**
of which		
Fixed remuneration		1,205
Variable remuneration		706
Hermes Code Staff employees that also cover HAIML	**30**	**747**
of which		
Senior Management	7	268
Other Code Staff	23	479

The following information was disclosed in the Trust's 25 March 2022 year end annual financial statements and relates to the most recent available information for the Alternative Investment Fund Manager's Directive.

AIFM activities

The following table provides an overview of the size and composition of the funds managed by HAIML, including FHPUT. This shows the total number of funds managed, the split between, and proportions of AIF, UCITS and other funds.

	Number of Funds	AUM (GBP) As at 31 Dec 2021	% of AUM
HAIML	**2**	**£1,550,953,526**	
of which			
Alternative investment funds	2	£1,550,953,526	
UCITS funds			
Other funds			

Glossary

AIFM Remuneration Code Staff

Total remuneration will be reported for all AIFM Remuneration Code Staff as at the AIF's financial year-end. Broadly speaking, AIFM Remuneration Code Staff are those employees who are considered could have a material impact on the risk profile of HAIML or any of the AIFs it manages (including FHPUT).

AuM

Assets under management are measured at fair market value on the relevant cut-off date. The latest available valuations are reported in the Annual Report & Accounts.

Other Code Staff

AIFM Remuneration Code Staff that are not considered Senior Management, per the definition below.

Other funds

Those funds that are not classified either as alternative investment funds or UCITS funds.

Senior Management

AIFM Remuneration Code Staff who are members of the AIFM's board.

Total Remuneration

Total remuneration reported will be the sum of salary, cash bonus, any deferred annual bonus, the fair value of any long term incentive awards, plus the estimated value of any pension and benefits in kind, awarded in respect of performance in the reportable financial year, i.e. 1 January 2021 – 31 December 2021.

Alternative Investment Fund Managers Directive (AIFMD) – Risk profile and risk management systems disclosure

Hermes Alternative Investment Management Limited ("HAIML"), manager of Federated Hermes Property Unit Trust ("FHPUT"), is authorised by the FCA as an AIFM and appointed as such, with effect from 22 June 2014.

Requirements for compliance with the AIFMD in the UK are set out in the FCA Investment Funds sourcebook (FUND). Rules FUND 3.2.5R and FUND 3.2.6R in this sourcebook requires certain information to be provided to prospective investors.

The current risk profile of the AIF

The Trust is a property unit trust that invests in real property in the UK. Real estate investments involve a high degree of risk that can result in substantial losses. The Trust's investment performance may be volatile, and investors could potentially lose all amounts invested.

The Manager has procedures in place to mitigate these risks, as documented below, however all prospective Investors must rely on their own examination of the legal, taxation, financial and other consequences of an investment in the Trust including the merits of investing and the risks involved.

An investment in the Trust will involve significant risk for a number of reasons including, but not limited to, the following:

- **Future and past performance** – The performance of the Trust's prior investments is not necessarily indicative of the Trust's future results. While the Manager intends for the Trust to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.
- **Manager's personnel** – There can be no assurance that the employees of the Manager will continue to provide services to the Manager throughout the Trust's life. The loss of key personnel could have a material adverse effect on the Trust.
- **Market risk** – The property market in the UK is susceptible to instability which could adversely affect the value of the Trust's investments. Volatility may also make it more difficult for the Trust to accurately value its investments or to sell investments on a timely basis. These developments may also adversely affect the broader economy, which in turn may adversely affect the ability of tenants to make rental and other payment when due. Such developments could, in turn, reduce the value of assets owned by the Trust and adversely affect the Net Asset Value of the Trust.
- **Contractor risk** – Investment properties and developments are operated and maintained by external parties under contractual relationships. Poor performance or insufficient business management may lead these third parties to cease trading which may negatively affect related investments.
- **Regulatory and political risk** – The UK Government or its regulatory agencies may take actions that affect the way in which the Trust or its investments are regulated. This could limit or preclude the Manager's ability to achieve the Trust's investment strategy and objectives.
- **Due diligence may not reveal all material risks related to an investment** – Before the Trust makes an investment, the Manager will conduct due diligence on the investment to the extent that the Manager determines in its discretion to be reasonable and appropriate based on the facts and circumstances applicable to the investment. External consultants, surveyors, legal advisers and other professionals may be involved in the due diligence process to varying degrees depending on the type of investment. Nevertheless, when conducting due diligence, the Manager and the Trust will only be able to rely on resources available to them, including information provided by the seller of the investment and, in some cases, third party investigations. Accordingly, there can be no assurance that the due diligence process carried out with respect to any investment will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment. There can also be no assurance that such an investigation will result in an investment being successful.

The risk management systems employed by the AIFM to manage those risks

The Manager has numerous controls in place to mitigate the risks identified above, these include the following:

- **Investment team** – The Manager's investment team conducts detailed analysis and reviews of investment opportunities and prepares financial models to support the recommendation of investments. The team has significant investment experience with the Fund Manager having over 20 years' experience in the industry.
- **Investment process** – The risks are mitigated through the application of a consistent and well established investment process.
- **Investment Committee** – The Manager has a formally constituted investment committee which considers and if sought fit, approves all investments. Key investment information, material risks and their mitigants are presented to the Investment Committee at formal interactions during the investment process and are covered in investment papers as well as verbal reports. Upon receipt of a final investment recommendation, the Investment Committee will decide on whether to proceed with or decline the opportunity, or conduct further due diligence. This decision is documented in the Investment Committee minutes, copies of which are retained.
- **FHPUT Committee** – In June 2013, the Manager formed the FHPUT Committee which approves investment strategy and sets and monitors a framework of investment constraints within which the Trust Manager must act. These constraints are designed to protect investors' interests by limiting exposure to various risks.
- **Diversification** – The Manager maintains a balanced investment portfolio diversified between sectors, spreading risks over a wide range of properties.
- **External legal counsel** – The legal documentation pertaining to the execution of transactions is reviewed, negotiated and finalised by external legal counsel in consultation with the Investment Team.
- **Leverage** – The Trust has a maximum leverage limit of 130%.

Gross Commitment Leverage

The Trust has Leverage of 103% as calculated under the Gross Commitment Leverage method as at the year ended 25 March 2022.

Net Commitment Leverage

The Trust has Leverage of 107% as calculated under the Net Commitment Leverage method as at the year ended 25 March 2022.

Further Information

For more information about the Trust go to **www.hermes-investment.com/ukw/capabilities/private-markets/real-estate/fhput/** or contact **fhput@hermes-investment.com**.