Annual Financial Statements 2023

Federated Hermes Property Unit Trust

25 March 2023

Federated Hermes
International

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

Contents

Key Features and Statement of Principles

The Trust is an unauthorised, tax exempt open-ended property unit trust and an Alternative Investment Fund ("AIF") as defined in the UK Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773). It was created in 1967 in the UK to enable Unit Holders to participate mutually in a professionally managed scheme investing in real property without prejudicing their tax exempt status whilst also freeing them from the burden of management.

The objective of the Trust is to achieve investment returns consistent with a diversified and actively managed UK property portfolio.

Key Features

The Trust is a balanced property unit trust which owns a diversified portfolio of real estate investments on behalf of underlying Unit Holders. Its key features are as follows:

- Performance objective – To outperform the benchmark by 50 basis points per annum on a three-year rolling basis.
- Investment philosophy – A core/satellite approach to portfolio construction. This reflects a core portfolio of property investments expected broadly to match property market returns, but with prospects for enhanced returns through exposure to higher risk/return investments in the satellite component.
- Fees – To ensure alignment between the Trust Manager and returns to Unit Holders, the Trust Manager receives a base fee which is augmented with a performance fee for outperformance against the Trust's benchmark. Fees payable to the Trust Manager are capped.
- The Appointments Committee is wholly independent of the Trust Manager and 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 Trust Manager is the legal operator of the Trust.

To ensure alignment between the Trust Manager and returns to Unit Holders, the Trust Manager receives a base fee which is augmented with a performance fee for outperformance against the Trust's benchmark.

Statement of Principles

Federated Hermes Property Unit Trust operates under the following core principles:

- The Trust observes high standards of integrity and fair dealing at all times, in accordance with the obligations set out in the Trust Deed for the benefit of Unit Holders.
- The Trust maintains an open dialogue with Unit Holders. As part of this it provides Unit Holders with timely information enabling them to make informed decisions about the Trust.
- The Trust seeks to enhance the capital and income potential of its assets in a manner consistent with its risk objectives and investment policy.
- The Trust will manage its assets taking into consideration the relevant environmental and socioeconomic risks and opportunities which contribute to the potential of an investment to deliver long-term investment performance for Unit Holders.
- The Trust actively engages with its occupiers to develop long term relationships in order to maximise portfolio value for its Unit Holders.
- The Trust complies with The Association of Real Estate Funds' Code of Practice and with relevant codes or standards in force that apply to the Trust.
- The Trust is committed on a sound commercial basis to embedding the principles of responsible property investment in all of its real estate investment and asset management practices.

Further information about the Trust including its Strategy and Objectives and Constraints is available in the General Information Memorandum at **www.hermes-investment.com/ukw/capabilities/private-markets/real-estate/fhput/**

Further information on the Appointments Committee and Trust Manager is set out on page 29.

Financial Highlights

Year to 25 March 2023

The trust continues to deliver outperformance over five and ten year periods against the benchmark.

Net asset value per unit

£6.41

(2022: £7.63)

Unit holders' funds

£1,178m

(2022: £1,489 million)

Distribution per unit

22.71 pence

(2022: 24.14 pence)

Total return to unit holders

-13.2%

(2022: 21.1%)

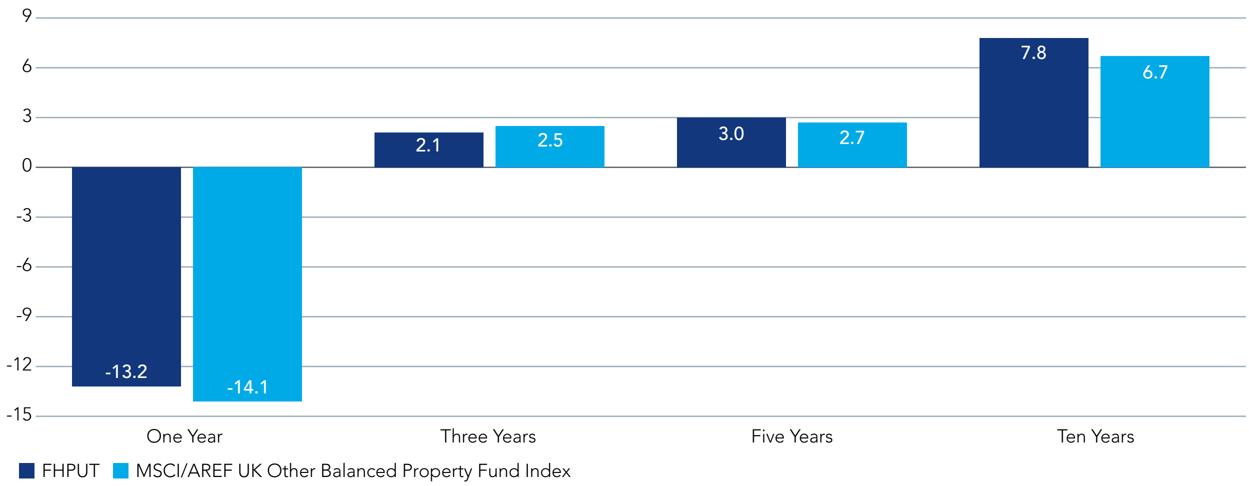
Relative performance for the year*

1.0%

(2022: -1.1%) for relative performance for the year to 25 March 2023

*Relative performance is calculated geometrically.

Unit holder performance – total returns for the period (% p.a.)
As at 25 March 2023



Source: MSCI/AREF UK Quarterly Property Fund Index.

Chairman's Report

Over the last few years, UK commercial real estate has experienced elevated levels of volatility and the 12 months to the end of March 2023 certainly followed this trend. In my December half year report, I described the various factors that resulted in an unprecedented market correction in the second half of 2022. Despite the continued uncertainty around the market's principal macro drivers of GDP growth, interest rates and debt availability (with recent bank failures highlighting the risk of global credit conditions), UK real estate valuations have so far continued to stabilise following the dramatic falls seen in October and November last year. Underlying this stabilisation is a divergence in pricing that reflects the current prevalence of 'risk off' sentiment, with investors becoming increasingly discerning on property fundamentals and heavily favouring primer assets over more secondary stock. Whilst in contrast to the investment market, the occupational market for UK commercial real estate proved relatively resilient over the year, this same focus on fundamental asset quality is also seeing greater polarisation in tenant demand.

Performance

The extent of the volatility observed in recent years is reflected in the one year total return of -13.2% (1.0% ahead of the benchmark at -14.1%) compared to the 21.1% return to the end of March 2022. Encouragingly, the increasing signs of stability in valuations saw the Trust's performance in Q1 2023 return to positive territory for the first time since the second quarter of Q2 2022 (0.4% against the benchmark at -0.2%). Over the longer term, the Trust continues to outperform, delivering 7.8% per annum over 10 years against the benchmark at 6.7% per annum. In this recent period of dramatic valuation movements, it is worth reflecting that 68% of the Trust's long term total return has been made up by income (taken over the full 22 years of the Trust Manager's tenure), which is also seven times less volatile than the capital growth component over that time.

Portfolio Activity

A total of 90 new leases and lease renewals were completed over the year which secured a £3.4m increase in the Trust's annual income. Rent collection rates also showed improved levels, with the Manager completing some further recovery of pandemic-related arrears, and achieving 99% of the total demanded over the report period. It is good to observe that the distribution yield to investors at the year-end increased to 3.50% from 3.16% for the previous year.

David Nicol
Chairman,
Appointments Committee

Alongside its proactive focus on enhancing the portfolio's income profile, the Manager continued to progress a number of value add initiatives. An outline planning consent and associated Section 106 agreement was completed on the former industrial asset adjoining Reading station, just after the year end. This is an important step forward in realising the significant potential of this site and is reflective of the Manager's track record in realising alternative use opportunities.

The Manager maintained its key strategic focus on the integration of ESG across all its activities. It has summarised its progress on numerous commitments on pages 21 & 22 of the report, broadly centred on achieving net zero, increased biodiversity and lasting social impact. I am particularly pleased to see the extensive range of potential solutions that are being actively targeted and tested given the critical importance of this integration for the Trust's continued long term growth.

Transactions

Transactional activity over the year was concentrated on asset disposals, with five sales completed for a total of £131.1m and comprising two industrial estates in Essex and Heathrow (£92.9m and £25.0m, respectively), an office in Tunbridge Wells office (£6.9m) and two Surrey pubs (together £6.3m). Apart from the Heathrow industrial which was sold in line with its prevailing valuation, the other sales were at material premia. The disposal of the large Essex asset was especially important for the Trust in that it delivered a 39% sale premium and was executed at the cyclical peak of the market last summer, ahead of the particularly severe pricing falls seen in the industrial sector. The proceeds from the disposals have been used to clear £48m that had been drawn down under a revolving credit facility and to make partial payments of £79.8m towards investors' redemption requests. The Trust had deferred the payment of orders in August 2022 to safeguard the interests of unitholders as a whole, following material redemption calls in Q2 and Q3. The £75m revolving facility remains available to the Trust if required as part of its overall liquidity management strategy.

Investor activity

The Manager has continued to progress other potential disposals to meet the balance of the redemption queue. This has been challenging given prevailing uncertainty and relative illiquidity in the market but at the time of writing two further sales have completed, a Birmingham industrial estate at £27.2m and a West End office for £45.5m, again ahead of pre-sale valuations (12% and 8%, respectively). In executing the planned sales programme, the Manager is focused on delivery of the Trust's long term strategic objectives and will keep all unitholders updated through its regular reporting channels.

Apart from £26m of matched trades in the Trust's units at the start of the reporting period, the secondary market remained largely moribund during the rest of the year, both for the Trust and other UK balanced funds. Latterly, brokers are reporting some signs of potential 'green shoots', with activity finally starting to pick up from unusually quiet levels. Whilst volumes are still relatively low at present, the Manager expects secondaries to remain an important liquidity option for the Trust's investors.

Governance

I have made the decision to step down in my role on the Committee after 11 years, with six of those as Chairman so I will retire at the upcoming AGM. After a selection process, Frances Davies has been nominated and approved by the Committee as the new Chair taking over after the AGM this year.

Sue Clayton has also let me know of her intention to retire in the next year so the Appointments Committee undertook a search supported by an external firm to find two new Committee members.

Fiona Rowley and Michelle McGrath were selected and appointed to the Committee on 15 May and 16 May 2023 respectively subject to unit holder approval at the AGM. This affords us sufficient time for a detailed handover before Sue steps down.

Outlook

Whilst prevailing headwinds will continue to present challenges for UK commercial real estate in the near term, the high quality of the FHPUT portfolio and the Manager's strategic focus on income, proactive management and ESG implementation means that the Trust is well positioned to meet them. The Manager also remains cognisant of the pricing opportunities that are created in these periods of volatility, which it has successfully identified in previous cycles to drive long term outperformance for the Trust's unitholders.

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David Nicol
Chairman
19 June 2023

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 FHPUT strategy is 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 investors as a whole.

Responsible Property Investment

At the core of Federated Hermes philosophies is the commitment to responsible environmental, social and governance investing.

The Manager believes that a responsible, sustainable approach to the management of the Trust's portfolio is the only strategy that both protects and enhances the value of its assets. As such, the Manager strives to fully integrate ESG principles in its investment process.

Trust Manager's Report

Market context

The 12-months to 25th March 2023 covered in this report witnessed a series of tumultuous geopolitical and macroeconomic events that have impacted the financial markets with increased volatility. These included the Truss government's mini budget, the ensuing gilts/ Liability Driven Investment (LDI) crisis and the more recent collapses in the banking sector. All this has been played out against a backdrop of the ongoing war in Ukraine, increasing global geopolitical instability, energy-led inflationary pressures, a rapid rise in interest rates and an emerging cost-of-living crisis.

With specific regard to UK interest rates, the Bank of England continued the process of monetary policy tightening over the year, increasing the base rate from 0.75% in March 2022 to 4.25% in March 2023. Despite the various ongoing macroeconomic challenges, the latest ONS publication showed that UK GDP remained pretty much resilient against the widespread expectation of an imminent recession. However, the ongoing impact from more persistent inflation, and associated higher interest rates, clearly remains a significant risk factor.

The UK Commercial Real Estate market reflected the volatility in the wider macroeconomic environment over the year, experiencing a turning point in the cycle with a dramatic capital market correction. This was driven by a rapid deterioration in investor sentiment given the latest trends of high inflation, rising policy rates and increased debt costs. The increase in All Property yields matched the trends seen during the Global Financial Crisis (GFC) and the rate of correction was sharper compared to previous cycles, with the industrial sector particularly impacted.

By December 2022, the level of volatility in capital markets had started to decline from the height of the distress seen in October and November in the wake of September's 'mini-budget', as gilt yields began to recover following the Bank of England's intervention. In the first quarter of 2023 real estate yields continued to stabilise slowly, albeit investment activity remained very weak at the start of the year. Although the UK is perceived as less exposed to the banking crisis than other countries, the expected tightening credit conditions may slow the recovery in investment and the economy. Expectations are that commercial real estate yields will continue to move out slightly during 2023, but the focus will be on the underlying occupational market. The latter remained relatively resilient in 2022 but the economic headwinds are expected to filter through to rental growth.

FHPUT valuation summary
As at 25 March 2023

Directly Held Properties	Valuation (£m)	Net Rent (£m)	Initial Yield (%)	Net ERV (£m)	Reversionary Yield (%)
Unit Shops	49.2	3.1	5.8	3.9	7.4
Supermarkets	38.2	2.2	5.5	2.0	5.1
Shopping Centres	14.0	1.3	9.0	1.8	11.8
Retail Warehouses	170.9	11.7	6.4	11.9	6.5
Offices	345.3	14.7	4.0	25.3	6.9
Industrials	394.6	17.0	4.0	22.5	5.3
Leisure/Other	133.0	6.5	4.6	6.6	4.6
Sub Total	**1,145.2**	**56.5**	**4.6**	**74.0**	**6.0**

Indirect Investments	Net Asset Value (£m)
Cash/(Debt)	32.5/(0.0)
Total	**1,177.7**

Trends in UK Commercial Property Sectors

The recent trends of performance in UK commercial property highlighted increased levels of polarisation and disparity across and within sectors. Some of the repricing factors were cyclical, but the recent pandemic and macroeconomic/geopolitical events accelerated some ongoing structural trends.

Of all sectors over the year, industrials experienced the biggest decrease in valuations due to a material outward shift in yields following the very strong performance seen over the last few years. At the same time, the sector continued to experience a resilient occupier market, delivering positive rental growth, and this is expected to remain supported by steady tenant demand and relatively limited supply, albeit not at the same rate of increase.

The office sector remained particularly challenged due to ongoing structural changes both from hybrid working and the growing focus on Net Zero/wider ESG requirements. The increasingly discerning requirements from both occupiers and investors in this regard has seen demand primarily centred on prime quality buildings backed by ESG credentials. Given this, the London and main UK cities offices fared better than their provincial counterparts. As an office sub sector, Life Sciences continued to see strong demand for space over the period.

The pricing correction for the retail sector was less severe compared to other sectors, given the rebasing of yields and rents seen over recent years. The hospitality/leisure sector also experienced weaker performance trends, impacted by the deteriorating economic outlook and cost of living squeeze. The private rented residential sector remained relatively resilient in the period, supported by a fundamental lack of housing stock and increasing mortgage costs.

Performance

The annual Trust performance for the period masked strong dispersion and volatility: the positive returns evident in Q2 2022 as valuations peaked, started to reverse in Q3 2022, and in Q4 2022 the Trust experienced the sharpest quarterly capital market correction in its history. By Q1 2023 the NAV of the Trust stabilised from the previous quarterly falls, and the rate of valuation decline continued to ease. Given this, over the twelve-month period the Trust delivered a total return to unit holders of -13.2% compared with the MSCI AREF Other Balanced Property Fund Index of -14.1%.

The Manager continued to focus on improving the income potential of the portfolio, the long-term driver of performance, by driving selected strategic active management activities and actively seeking to reduce voids within the portfolio. Breaking down the performance, the Trust's income return remained slightly ahead of the benchmark (3.1% compared to 3.0%) and the capital value element was resilient (-15.9% compared to -16.7%). 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.

Transactional activity

During the year progress on the planned disposals activity delivered positive results although the pipeline schedule was impacted by ongoing uncertainty which reflected into low activity in the wider investment market. Nevertheless, during the period the Manager completed four planned disposals for a total £131m which contributed positively to the overall fund performance. Horndon industrial estate completed in July for £92.9m, a premium of 39% over the end of February 2022 valuation. In August a Tunbridge Wells office was sold for £6.9m, 15% above its latest valuation. In January 2023 the disposal of two pubs in Cobham and Weybridge were completed for a combined price of £6.3m which represented a 36% premium to the pre-sale October valuations. The disposal of Fairway Trading Estate in Heathrow at the end of February 2023 for a sale price of £25.0m which was in line with the prevailing valuation.

The proceeds from these sales were used to pay back the debt of £48m drawn from the revolving facility and make the partial payment of £79.8m to the redemption queue noted earlier. Following the year end, there was/were further sale(s) totalling £72.7m comprising a London office in Soho Square (£45.5m) and Erdington Industrial Estate (£27.2m). The disposals were at a premia to the pre-sale valuations in each case, 8% and 12%, respectively.

The Manager focused on a planned sales approach which is consistent with its long-term strategy to enhance income, optimise sector allocations, drive active management, and integrate ESG and Net Zero objectives across the portfolio.

Net investment and secondary trading

Over the year a key priority of the Trust has been on executing the planned liquidity strategy with the focus on protecting investors' interests as a whole. The year was dominated by a few factors that accelerated ongoing long-term themes. The main factor was the severe liquidity shock that affected pension funds following the mini budget, particularly LDI strategies which required cash to meet margin calls. This accelerated the existing longer-term process of de-risking by some mature Defined Benefits (DB) schemes which caused several institutional property funds to gate redemptions to allow an orderly disposal of assets. To safeguard investors' interests, the Trust introduced a deferral of redemption orders in August 2022. Following the material redemption calls recorded in Q2 and Q3 2022, the level eased to relatively modest levels in Q4 2022 and Q1 2023. Following the asset sales mentioned in the previous section, partial payments of £46.5m and £33.3m were made towards the overall redemption queue up to the year end. The Manager continues to provide detailed updates on the Trust's overall liquidity position through the quarterly investor webinar and its other reporting channels.

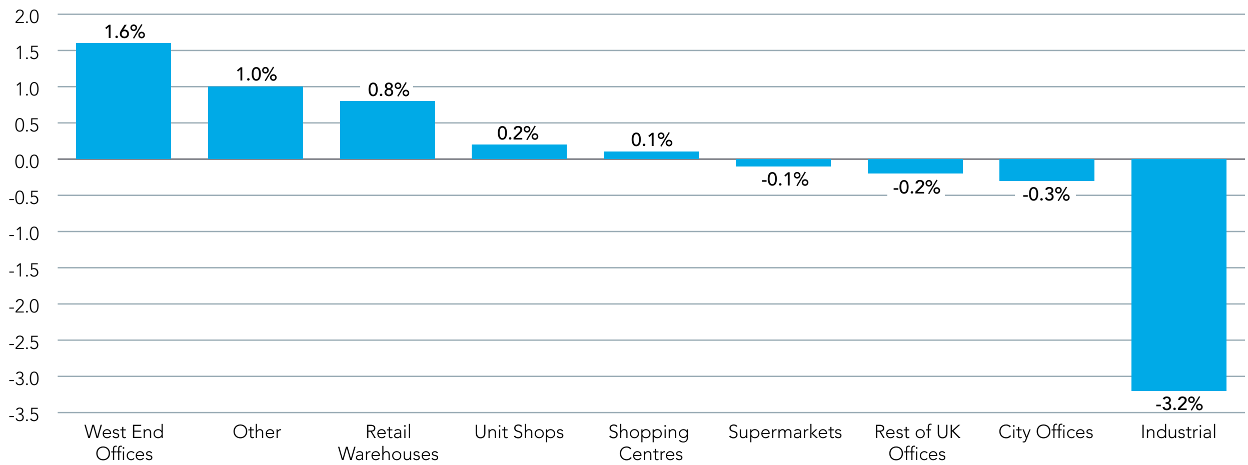
On secondary unit trading activity, in the earlier months of the annual reporting period there were £26m of matched trades, involving both existing and new potential investors. Since the dramatic change in the market in H2 2022, there has been low interest recorded for units in UK balanced strategies. Given this environment, the Trust had no other secondary transactions in the latter part of the period. However, the Manager remains confident that the secondary market will remain a useful option in helping to facilitate overall investor liquidity.

Investment management

The Manager continued to record good progress on asset management activities. Whilst it has been a challenging market, lettings, rent reviews and renewals were matching or exceeding Estimated Rental Value (ERV), which is testament to the quality of the underlying real estate in the portfolio, and which continues to drive the income return. 90 leases and licenses were completed over the year which, excluding rent review settlements, secured rental income of £3.37 million per annum for the Trust. The Manager remained focused on active asset management with leasing activity and projects progressing across various sectors. Overall, the occupier markets continued to perform positively, particularly the industrial sector given its still favourable demand/supply dynamic. Nevertheless, the negative UK outlook on economic growth, interest rate rises, and fiscal tightening will provide pressure to businesses and consumers.

Absolutely central to all the Manager's investment management activities is the strategic focus on the integration of ESG across all activities, which is covered in detail on pages 19-22 of the report.

Attribution of FHPUT Sub-sector Property Returns
12 Months to 25 March 2023 (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.

Performance Attribution

Over the year the portfolio experienced a sharp drop in performance, reflecting the uncertainty, volatility and material change in investor sentiment. The industrial sector was the main detractor of portfolio performance, reducing the overall returns by -3.2% and delivering a total return of -20.5%. The sector recorded outward yield movement but continued to experience rental growth reflecting a positive occupier market underpinned by low supply. The highest contributing sectors to portfolio performance over the quarter was the West End office sector which contributed 1.6%.

At property level, the top performing contributor to the 12-month returns was the vacant office building in Westminster (Great George Street) on the back of continued investor interest in the rarely available hotel consent previously secured by the Manager. The other main contributor was the retail warehouse in Stratford-Upon-Avon due to positive letting activity. The greatest reductions to the Trust's portfolio return were two industrial investments in Heathrow (Polar Park and Fairway), both impacted by outward yield shifts.

Portfolio Value and Debt

At 25 March 2023, the Trust's underlying direct property portfolio was valued at £1,145.2 million. There were 67 direct properties in the portfolio and no indirect assets. The Trust held £31.9 million of capital cash which represented 2.7% of GAV compared to the benchmark weighted average of 6.5%. Following the payment of the outstanding drawn debt of £48m in August 2022, the revolving debt facility of £75m 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 on page 14. The Manager remains comfortable with this allocation and most of the assets are good quality real estate in prime locations. Some of the assets also hold change of use potential as part of the ongoing strategy of identifying added value opportunities.

The portfolio's industrial sector recorded the largest drop in value over the year following the severe outward movement in yields over the period. The Trust remained underweighted compared to the benchmark and this was accretive in terms of relative performance. The office sector remained challenged due to the structural changes described earlier. These challenges and opportunities remained a key focus of the Trust Manager's strategy over the year. The retail sector is predominantly exposed to the retail warehouse subsector where the Trust has increased exposure over the last few years through counter cyclical opportunities. The leisure/other sector comprises a portfolio of 21 pubs and three hotels. The strategy to increase exposure in the residential / bed sector remains a focus for the Manager through new potential acquisitions or asset repurposing. The latter is an important part of the Manager's long term strategy, linked to fundamentallly good quality real estate with optionality.

Income, yields & Voids

As at end of March 2023, the portfolio net initial yield was 4.6% and the reversionary yield was 6.0%. If the the principal, strategic void on the Westminster office asset was excluded, the net initial yield would be 4.9%. The Trust's distribution yield to investors was in line with the benchmark weighted average at 3.5%. The recent collections statistics for the period showed rent at 99% of the total demanded, reflecting a continued focus on diligent recovery and monitoring of debt provisions.

The portfolio had a balanced composition of annual rental income of around 30% each in the retail, office, and industrial sectors, with the remaining 10% in the leisure/other sector. Around 16.6% of the portfolio rental income was linked to index-linked leases, with the majority of these sitting in the leisure sector (the pubs and hotel assets). The remaining leases are linked to open market reviews, where in the case of the industrials, rents continued to run at record level increases.

The vacancy rate in the property portfolio was at 13.4% of total ERV. More than half of the vacancy is composed of voids which include refurbishments or possible asset repositioning. The main contributor to the vacancy rate is Great George Street, Westminster, which accounts for 4.4%.

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 25 March 2023, the Trust had an average unexpired lease term of 5.7 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 strategically higher exposure to assets in London, the 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 77% 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 March 2023 exposures, with the Trust holding 9% of its portfolio in special situation investments and an increased tilt towards the lower risk 'core' and 'added value' strategies sitting respectively at 74% and 17% of the portfolio.

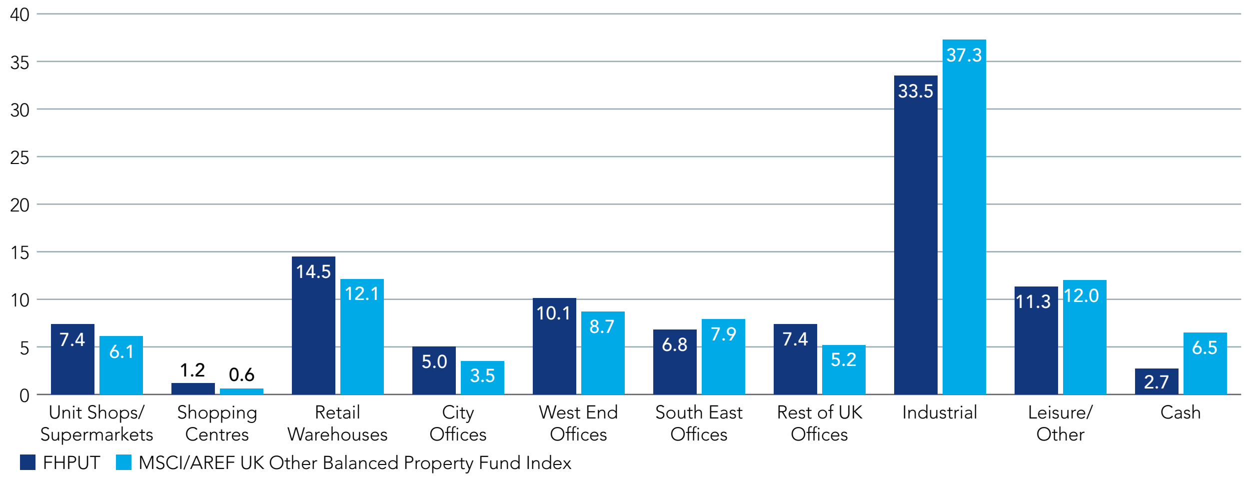
Outlook

The volatility in market valuations seen over the last few years was particularly dramatic in the 12 months covered by this report. Whilst the various macroeconomic and geopolitical challenges that have caused this are still ongoing (not least the fundamental change in interest rates), it is encouraging to see overall valuation levels starting to stabilise. However, sentiment currently is firmly 'risk off' given these prevailing headwinds so underlying pricing is likely to remain increasingly polarised, with investors predominantly focused on higher quality real estate. This focus on quality is particularly heightened for both the capital and occupational markets in relation to ESG related considerations, specifically the risks (and opportunities) inherent in transitioning portfolios to 'net zero'.

The recent volatility in pricing has also highlighted the importance of income as the principal long term driver of performance and the need for a proactive, dynamic approach to managing real estate portfolios.

All of these considerations - asset fundamentals, income, proactive management and integration of ESG – are all central to the Trust Manager's long standing strategy. Whilst the current market conditions are likely to remain challenging in the near term, this will also present opportunities to capitalise on re-pricing, another important component of the Manager's approach.

Sector weighting (%) – gross value basis
As at 25 March 2023



Source: MSCI/AREF UK Quarterly Property Fund Index.

Disposals

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 £92.9m (3.85% triple NIY / £2.41m per acre). The sale reflected a premium of 39% over the pre-sale process valuation (end-February 2022) of £66,600,000 and took advantage of the very strong demand for industrials that was prevailing at that time.

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 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.

Pub portfolio - Cobham and Weybridge:
Completed in January 2023 for a combined price of £6.35m which represented a 36% premium to the pre-sale October valuations. The purchaser in each was the current undertenant, reflecting the strategy of converting special purchaser interest on asset sales.

Fairway Trading Estate, Heathrow:
In February 2023 the Manager completed the sale of the industrial investment for a price of £25m (5.0% NIY) which was in line with the January 2023 valuation. The subject property comprises one of the portfolio's older industrial estates acquired for just under £16m in December 2015.

Asset Management Activity

Citygate, 47/51 Mosley Street, Manchester (Rest of UK office):
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. During the period the Manager progressed refurbishment works to split the 5th floor vacant unit (around 7,700 sq. ft.) and improve the letting potential following a long void period. The Manager completed the letting of one of the two units to a financial services occupier for a 10-year term (with break at year 5) at a rent of £31.50 per sq. ft (above ERV). The letting will guarantee a rental income of around £129,000 per annum to the Trust.

One City Place, Chester (Rest of UK office):
One City Place is a fully let 6-storey office block located just outside central Chester, near the main rail station. The Manager has been working on a project to install 116 solar PV panels on the roof of the office building (which is already EPC A and BREEAM excellent). The overall cost of the project is expected to be around £160,000. The total on site energy generation is expected to equate offsetting 9.27 tonnes of CO_2 per year.

Soho Square, London (West End Office):
The Manager completed refurbishment works across three vacant floors in the building to attract targeted occupiers and enhance its rental income potential. The end-of-life central gas boiler was to be replaced with an all electric air source heat pump system. 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. During the period one unit (EPC B), partly fitted with a new reception, was let to a data tech company for a 5-year term (break at year 3) at a rent of £87.5 per sq. ft (approx. £425,000 of rental income per annum). This letting completed in February 2023.

Boundary House, 91-93 Charterhouse Street, Farringdon (City Office):
During the period, the Manager let two vacant floors of the building which accounted for around 0.8% of the total portfolio vacancy rate. One unit was let to a new occupier (a green tech company) committing to a 5-year term with break at year 3 at £71 per sq. ft. (above ERV) which will produce rental income of approximately £328,000 per annum. The other unit was let to a PR Media company at £75 per sq. ft (approx. £304,000 per annum) for similar term to the above (5 year with break at 3). Both units hold EPC B ratings.

31 Great George Street, Bristol (South East Office):
The Manager completed an outstanding rent review with the University of Bristol, securing a 5% rental uplift to £960,000 p.a. which set a rental tone of £29.20 per sq. ft. across all floors. The tenant occupies 3 floors in the building for a total area of 35,120 sq. ft. The building remains fully let securing rental income of £1.58m per annum with a WAULT (weighted average unexpired lease term) to break of 3.7 years as at end of March 2023.

M2 City Link, Rochester (industrial):
The asset was forward funded by the Trust in 2021 and completed in December 2021. Since completion, the estate has recorded strong occupier interest and letting activity. During the period the last two vacant units totaling 16,628 sq. ft. were let to Vetee Rice Ltd on a 10-year lease at £12.75 per sq. ft. which equates to £212,000 of annual rental income. The estate is fully let and delivers an estimated annual rental income of approx. £1.5m per annum.

Erdington Industrial Park, Birmingham (industrial):
The Manager obtained planning consent on the 6 acres of car park land to build a highly sustainable 100,000 sq. ft. logistics unit. The estate also recorded letting activity 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. The rent of £180,000 per annum was ahead of ERV.

Peterwood Park, Croydon (industrial):
During the period the Manager agreed a lease renewal with a main tenant of the estate (Day Lewis Medical) for a new 10-year term in two of the units of the estate and also secured a rent review in the third unit. The tenant is paying a rental income of £686,000 per annum (£17 per sq. ft.). The tenant occupies three units for a total area of approx. 40,400 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 rental income of approx. £115,745 per annum 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 quarter 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.

Eagle Park, Warrington (industrial):
During the period the Manager worked on completing the lease renewal with the West Midlands Ambulance Service (University NHS Foundation Trust) for a 5-year term at a contracted rent of £115,000 per annum (£10.50 per sq. ft.). The lease completed in January 2023.

Templars Shopping Park, Oxford (retail warehouse):
During the period the Manager progressed well with letting activity and recently completed a new lease with Deichmann Shoes UK Ltd. The lease completed in January 2023 on a 10-year term with break at the 5-year anniversary at an annual rent of £105,460 (£23.50 per sq. ft.). With this letting, the estate is now fully let, delivering annual rental income to the Trust of around £2.9m.

Maybird Shopping Park, Stratford Upon Avon (retail warehouse):
The Manager completed a new letting with Pure Gym on a 15-year term (tenant break at 10) at c.£21 per sq ft. (£110,000 per annum). 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 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 area.

The Broadway, Wimbledon (unit shops):
The Manager continued the marketing of the vacant units in the parade and during the last quarter of 2022 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. In January 2023, an agreement for lease was exchanged for two vacant units to Pure Gym for a 20-year lease at a rent of £245,000 p.a. All activity recorded was ahead of ERV.

Cuton Hall Lane, Chelmsford (retail warehouse):

In December 2022 the Manager exchanged an agreement for lease with Costa Coffee UK to take a drive thru unit on the estate (approx. 1,800 sq. ft.) which will be built, subject to planning, over the next 12 months for around £1m. The lease will be based on a 15-year term with break at the 10-year anniversary at a contracted rent of £90,000 per annum (£50 per sq. ft.).

Reading Metropolitan site, Reading

A S106 agreement was completed with Reading Borough Council just after the year end which confirms the grant of outline planning consent for a potential mixed used residential/office scheme on this strategic site adjoining Reading station.

Trust Manager's Report

Core/Satellite approach to deliver optimum risk/return

Strategy & Medium Term Target Weighting		Actual Weighting to 25 March 2023	Target outperformance vs benchmark
Core Strategies – 65%	Income returns to underpin distribution yield	74.0%	0.5%
Added Value – 25%	Exploit value enhancing opportunities	17.0%	1.0%
Special Situation Strategies – 10%	Higher risk Higher return Non-core sectors Specialist assets	9.0%	2.0%

Target outperformance per annum over a three year rolling period.

ESG Investment Strategy

ESG Reporting

The Manager published its ESG policy in December 2022, including new deforestation commitments and the progress against Fund's Net Zero targets as part of the BBP Climate Change commitment. In addition, the Manager submitted the 2022 GRESB survey and the annual ESG report.

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 and ranked 15th out of 93 funds in the UK Diversified Peer Comparison Group by GRESB, both showing an improvement since the previous year. Currently the Trust Manager has been working on the GRESB submission for the Trust for 2023 for the 2022 data set.

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 environmental impacts.

MEES Compliance

The overall target of the government's Minimum Energy Efficiency Standards is for all non-domestic buildings in England & Wales to achieve a minimum of EPC B by April 2030. As an interim step, all lettings were required to be at EPC E and above as at April 2023 unless a valid exemption applied.

As at the end of March 2023, 91% of the portfolio was PEC E and above, with the remaining 9% already subject to planned refurbishment or redevelopment works. 2% of the portfolio is EPC B or above.

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. This allows financial risk to be identified and therefore resources to be targeted to ensure mitigation is put in place. The reduction of risk ensures that assets maintain their value and continue to provide a resilient 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 the Trust's specific Net Zero strategy and associated implementation plan. The commitment to meet Net Zero by 2035 has been broken down by setting interim targets for 2025 and 2030. The targets within the commitment are based on the 2018 performance of the current FHPUT portfolio and are aligned with the UK Green Building Council (UKGBC)'s Paris Proof approach.

The Manager has also finalised desktop modelling to understand the decarbonisation potential of the Trust's portfolio 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 is also undertaking 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 net-zero information to our investment teams to help with decision making during key asset lifecycle stages.

Decarbonomics

Over the last four months, the Trust Manager has been working on the integration of a new tool to support with the further development of credible net zero transition plans at asset level. It is an online platform which provides specific action plans and costings in order to meet the net zero targets. The pilot phase which was focused on six assets representing a cross section of the of the portfolio, has now been completed. Subject to final scrutiny of the findings from the pilot and agreement of future fees and service levels, the next phase of the exercise will be to implement the recommendations at asset level and continue the process across the wider portfolio.

Our Net Zero Journey

The Manager has a commitment to meet net zero by 2035. To ensure progress in meeting this goal, it has published a detailed plan with interim targets to remove fossil fuels from the portfolio, reduce energy intensity by 25% (against a 2018 baseline) decrease energy demand and increase onsite renewable energy generation.

Over the last year, the focus has been on developing net zero transition plans at asset level. These plans provide an initial assessment of the asset's stranding risk and the steps that need to be taken, along with the associated costs.

Challenge

FHPUT has a diverse portfolio in terms of asset class, management control and building type across the UK. Therefore, the production of net zero transition plans with credible costs has been the main challenge.

Solution

The Manager's approach to the above challenge was to introduce an innovative tool, the Decarbonomics™ platform. The platform has been developed by SNC-Lavalin to support evidence-based investment decisions on energy efficiency and operational carbon reduction measures at asset level through a data driven, end-to-end solution. Specifically, the platform uses various data points and asset information (such as the building's fabric, construction year & energy consumption) and provides benchmarks, cost-effective carbon reduction roadmaps and pragmatic implementation pathways at asset level. The platform provides bespoke net zero transition plans that cover solutions from building retrofit to behaviour change and measures progress and performance across the portfolio and asset lifecycle.

The Manager started a pilot programme with seventeen buildings across six different assets with the aim to deploy the lessons learnt to the rest of the portfolio with similar characteristics. The platform will calculate the most advantageous intervention programme based on cost, carbon and energy savings per asset.

Optimal decision making

Progress on Roadmap Modelling

A benchmark analysis has been completed which is used to provide a baseline understanding of the energy performance of the portfolio. Using the baseline, the Manager modelled a Net Zero Carbon roadmap on the below interventions:

- Heat decarbonisation through use of electrical water heaters and heat pumps
- LED lighting
- Roof top solar PV panels
- Ventilation improvements
- Fabric improvement for insulation – identification and rectification of insulation failures and gaps in the wall and roof insulation.

ESG implementation

The schedule below is a summary of the progress being made on the Trust Manager's principal ESG commitments for the portfolio. There is a deliberately large number of initiatives which reflects the Manager's intention to explore and test new innovations in this relatively new and fast developing area. The priority ratings relate to the timing for implementation rather than the overall importance of the target itself. The schedule is a working tool and as such is subject to constant revision and reassessment.

Progress (March 2022 – March 2023)

Priority One | Priority Two | Priority Three

Commitment	Target	Workstream	Priority	Actions and progress	Target achieved?
Achieving net zero	25% reduction in energy intensity by 2025, based on 2018 baseline		Priority One	-19% reduction (2022 vs 2021)	On track
Achieving net zero	Develop Asset Level Net Zero Transition Plans for 100% of the managed portfolio by March 2024	Undertake net zero deep dive at asset level	Priority One	Net Zero asset level plan produced on 6 assets (17 buildings) NZ audits completed on 4 assets	On track
Achieving net zero	Phase out fossil fuels by 2035	Replacement of gas boilers	Priority One	5 direct managed assets with no gas supply on site (Horizon Hurley, Plantation wharf - all buildings, One City place Chester, 27 Soho Square, Citygate Court). 13 assets with only electricity provided by landlord The Manager has also finalised its approach to remove fossil fuel	On track
Achieving net zero	Ensure 100% procurement of green electricity for landlord areas (Scope 2 emissions)	Switch to a green provider	Priority One	100% of electricity is coming from renewable sources	Achieved
Achieving net zero	Decrease energy demand	Roll our smart optimisation solutions in offices to reduce energy demand	Priority One	Trial started in 1 asset	On track
Achieving net zero	Achieved maximum generation of renewable energy on site	Assess the portfolio for renewable energy generation (including the possibility of PV panels in car port) PV installation in roofs in every refurbishment	Priority One	Feasibility study completed in 7 assets PV installation completed in 5 units, in progress in 1 unit and in pipeline in 2 units.	In progress
Achieving net zero	Embodied Carbon	Undertake embodied carbon assessment in every major refurbishments	Priority Three	1 embodied carbon assessment in progress 2 in the pipeline	Not started
Achieving net zero	EVCP	Scope to increase EV charging points	Priority Three	Feasibility studies and occupier engagement required to check demand at site level	In progress
Biodiversity	Develop biodiversity strategy in 2023	Develop targets and KPIs	Priority Two	Strategy in development and will be published in Q3 2023	In progress
Biodiversity	Undertake a materiality review and assess the portfolio's potentials for biodiversity net gains.	Undertake baseline review on the industrial portfolio.	Priority Two	Baselining assessment is in progress in 17 assets	On track

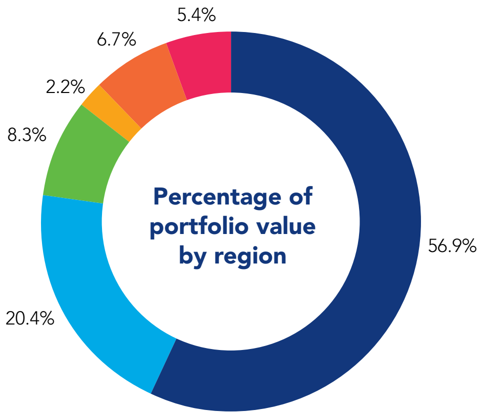
Progress (March 2022 – March 2023)

Priority One · Priority Two · Priority Three

Commitment	Target	Workstream	Priority	Actions and progress	Target achieved?
Lasting Social Impact	Undertake a materiality review and assess the portfolio's potentials for social impact interventions.	Local needs analysis & implementation plan for 2 assets	Priority Two	Pilot programme from June 2023	Not started
Climate risk	100% of the portfolio to be assessed for exposure to climate risk.	Annually assessments to cover both physical and transitional risks	Priority One	Assessments have been completed to analyse current and future impacts from climate-related impacts on portfolio strategy and financial planning. Due diligence include Climate Risk analysis (MSCI – Climate VAR tool) - Last assessment in July 2022	Achieved
	100% of the portfolio to be have climate risk adaptation and mitigation plans	Undertake assessments at asset level	Priority One	Flooding is portfolio's main climate risk. 100% of our portfolio has flood resilience plans.	Achieved
	Optimise positive contribution to the local community by contributing to local efforts to improve climate resilience.	Identify key local partners to collaborate in those areas that are most vulnerable	Priority Three	One partner has been identified and discussions for collaboration has been started.	In progress
Increase Data Coverage and Quality	100% data coverage for Scope 1 and Scope 2 emissions (landlord controlled areas)	Roll out smart metering improvements across the top 10 largest assets by ERV	Priority One	100% of Scope 1 and Scope 2 emissions are been collected, verified and reported annually. Smart meters are being installed in every refurbishment	In progress
	Increase data coverage for Scope 3 emissions	Map alternative solutions to gather hard-to-reach data	Priority Two	In 46% of our managed portfolio we collect scope 3 data. The Manager has identified a new solution to increase the data coverage for electricity.	On track
Occupier Engagement	Engaged with 20% largest occupiers to accelerate asset's transition plans to net zero by 2024.	Development of occupier engagement plans	Priority Two	The most material occupiers have been identified and occupier engagement plans have been developed to target: data sharing and discuss opportunities to convert to renewable electricity tariffs.	On track
EPC			Priority One	9% of the portfolio is with an EPC rating F and G. All these assets area marked for refurbishment and redevelopment.	
Building Certifications	Increase green building certification where applicable	Recertified the assets with BREEAM-In-Use certification.	Priority Two	BREEAM-In-Use recertifications completed for 2022 and in progress for the certifications that due in 2023.	On track
	Increase the use of performance – based certifications (NABERS)	Identify the offices that could be assessed for a NABERS certification	Priority Two	7 assets have been identified	On track
Connect	Developing impactful partnerships	Actively participate in industry bodies sharing expertise and lessons learnt	Priority One	The Manager participated in the following industry bodies: IIGCC – Co-author of 'Guidelines of whole life carbon in real estate', BBP working groups, Advisory Board of ConstructZero	Achieved
	Making our assets part of the solution	Identify research projects to support	Priority One	1 asset participated in Natural History Museum biodiversity research	On track

Direct Property Portfolio

The Trust has a portfolio bias to London and the South East with 77% of investment held in these regions. This is expected to be beneficial for the future performance of the Trust. A full list of properties and locations can be found in the Property Listing on pages 20-21.



North	6.7%
Industrials	4.0%
Offices	2.7%
Shopping Centres	–
Unit Shops/Supermarkets	–
Retail Warehouses	–
Leisure/Other	–

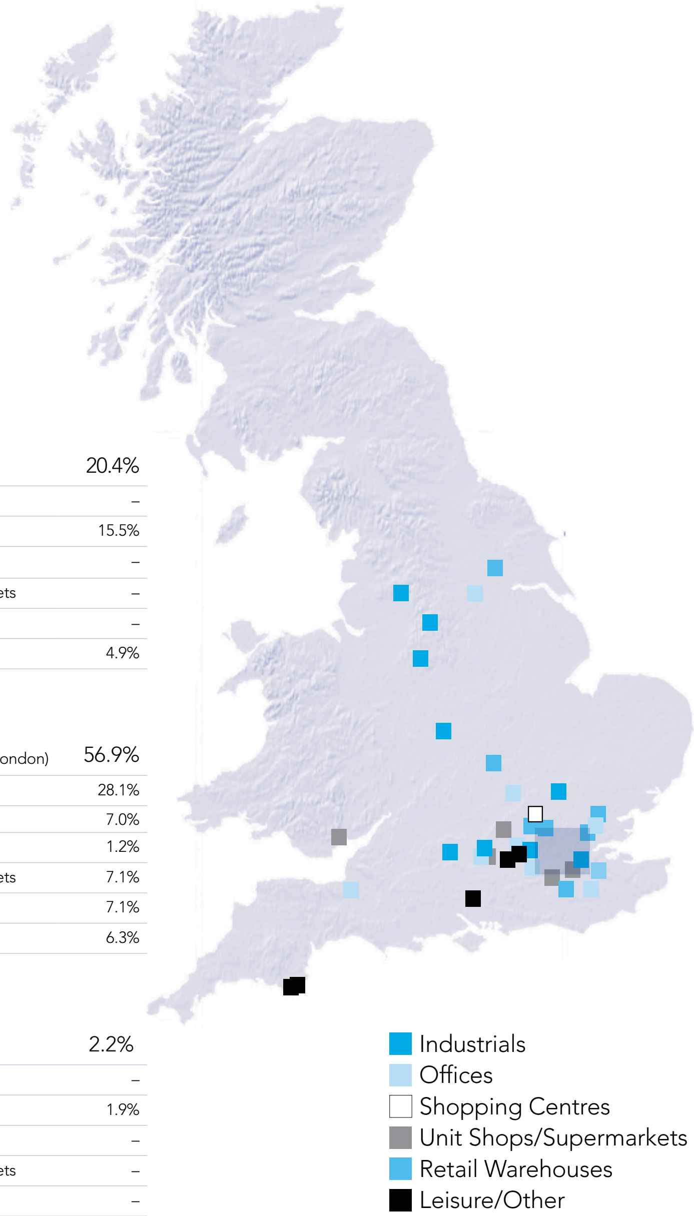
Central London	20.4%
Industrials	–
Offices	15.5%
Shopping Centres	–
Unit Shops/Supermarkets	–
Retail Warehouses	–
Leisure/Other	4.9%

North East	5.4%
Industrials	–
Offices	3.0%
Shopping Centres	–
Unit Shops/Supermarkets	–
Retail Warehouses	2.4%
Leisure/Other	–

South East (excl. London)	56.9%
Industrials	28.1%
Offices	7.0%
Shopping Centres	1.2%
Unit Shops/Supermarkets	7.1%
Retail Warehouses	7.1%
Leisure/Other	6.3%

West	8.3%
Industrials	2.4%
Offices	–
Shopping Centres	–
Unit Shops/Supermarkets	0.5%
Retail Warehouses	5.4%
Leisure/Other	–

South West	2.2%
Industrials	–
Offices	1.9%
Shopping Centres	–
Unit Shops/Supermarkets	–
Retail Warehouses	–
Leisure/Other	0.3%



Property Portfolio

Sector	Property
£30 million & over	
Industrials	Polar Park, Bath Road, Heathrow
	1/15 Thomas Road, Limehouse, London, E14 7BN
	Reading Metropolitan, 80 Caversham Road, Reading
Offices	8/10 Great George Street, London, SW1P 3AE
	27 Soho Square, London, W1D 3QR
	Round Foundry & Marshalls Mill, Water Lane, Holbeck Urban Village, Leeds, LS11
Retail	Maybird Shopping Park, Stratford-upon-Avon
	Templars Shopping Park, Oxford OX4 3JP
	Sainsbury's, Maxwell Road, Beaconsfield
Other	Broken Wharf House, High Timber Street, London EC4
£10 – £30 million	
Industrials	LGC Complex, Newmarket Road, Fordham, CB7 5WW
	Erdington Industrial Park, Chester Road, Erdington, Birmingham, B24 0RD
	Guinness Road Trading Estate, Manchester
	M2 City Link, Anthony's Way, Rochester, ME2 4DW
	Coln Industrial Estate, Old Bath Road, Colnbrook, Slough
	Mitcham Road, Croydon
	Nexus Park, Hambridge Road, Newbury, RG14 5TR
	Peterwood Park, Beddington Farm Road, Croydon
	Eagle Park Warrington, Eagle Park Drive, Warrington, WA2 8JA
	Park Avenue Industrial Estate, Park Avenue, Sundon Park, Luton, LU3 3BP
	Centrus Industrial Estate, Mead Lane, Hertford
	Westgate Industrial Estate, Bedfont
Offices	Boundary House, 91/93 Charterhouse St, London EC1
	1/7 Sekforde Street, London, EC1R 0BE
	Hythe House, Hammersmith
	31 Great George Street, Bristol, BS1 5QD
	Plantation Wharf, York Place, Battersea
	Horizon Building, Honey Lane, Hurley, Maidenhead, SL6 6RJ
	One City Place, off Queens Road, Chester, CH1 3BQ
	Citygate Court, Manchester
	Commercial Point, 69-81 Commercial Road, Southampton
Retail	51-53 Church Street, Caversham
	B&Q, Hull Road, York
	The Broadway, Wimbledon, London SW19
	Christopher Place, St Albans
	Homelands, Chelmsford (Tower Hill LP)
	Hurricane Way, Clifton Moor, York
Other	Premier Inn, Greenwich
	Block E Greenwich, 48-55, Greenwich High Road, Greenwich, SE10 8JL

Sector	Property
Under £10 million	
Offices	Park View House, Victoria Road South, Chelmsford
	18/20, St John Street, London, EC1M 4AY
Retail	12 Brighton Road, Redhill
	71, 73, 75, 77- 81, 83, 85, 87-89 North End Road, Croydon
	St Albans Retail Park I, St Albans (Tower Hill LP)
	5/9 & 10 Church Street, Cardiff
	St Albans Retail Park II, St Albans (Tower Hill LP)
Other	Brogans PH, 571, Fulham Road & 1/2 The Broadway, Walham Green, L
	The Fulham Mitre PH, 81, Dawes Road, Fulham, London, SW6 7DU
	The Hobgoblin PH, 21, Balcombe Street, London, NW1 6HE
	The Hillgate PH, 24, Hillgate Street, Kensington, London, W8 7SR
	The Elusive Camel PH, 27, Gillingham Street & 118 Wilton Road, Lond
	The Latchmere Tavern , 503, Battersea Park Road, London, SW11 3BW
	The Anglesea PH, 3, Anglesea Terrace & 31/35 Wingate Road, London
	The Fox and Grapes PH, Camp Road, Wimbledon, London, SW19 4UN
	The Brunel PH, 37, Battersea Bridge Road, London, SW11 3BA
	The Hope PH, 94, Cowcross Street, Finsbury, London, EC1M 6BH
	Kings Arms, 18 Fore Street, Salcombe
	Fortesque Hotel, Union Street, Salcombe
	The Britannia PH, 5, Brewers Lane & Land to north of George Street, Ri
	The Greyhound PH, 82, Kew Green, Richmond, London, TW9 3AP
	Two Brewers, 34 Park Street, Windsor
	Horse & Groom, 4 Castle Hill, Windsor
	Two Brewers, St Peter Street, Marlow
	The Prince of Greenwich, 72 Royal Hill, London, SE10 8RT
	The Carpenters Arms P, 89/91, Black Lion Lane, Hammersmith, London,
	Henry 6th, 37 High Street, Eton
	Fleur De Lys, 1 French Row, St Albans

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 The Trust Manager in writing and approved 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 three times during the period.

Fiona Rowley and Michelle McGrath were appointed to the Appointments Committee on 15 May 2023 and 16 May 2023 respectively.

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:

- monitoring and reviewing the auditors' independence and objectivity and the effectiveness of the audit process, and considering the appointment of the auditors;
- discussing and agreeing the scope of the audit and reviewing the auditors' response to changes in the regulatory requirements;

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.

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

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

- Discussing and agreeing the scope of the audit with EY LLP during their first year audit;
- Reviewing the 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 arose with the external auditors;
- Considering the results of controls reports produced by the Manager; and
- Considering the completeness of disclosure in the financial statements.

As a result of this activity the Audit Committee were able to conclude that the unaudited interim financial statements 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 year ended 25 March 2023.

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

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 Charles Maudsley and Frances Davies.

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 five times 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. Fiona Rowley and Michelle McGrath have also both joined the Asset Plan Committee at the dates of their appointments above. The Asset Plan Committee met formally and informally on various occasions during the period.

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.

Appointments Committee

David Nicol BA (Hons) CA – Chairman (Appointed 16 July 2012)

David is a Chartered Accountant and is Chairman and a Non-Executive Director of Multrees Investor Services Limited and an independent member of the Board for both Julius Baer Group Limited and Bank Julius Baer & Co Limited. David was Chief Executive of Brewin Dolphin plc from 2013 until mid-2020. He 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.

Charles Maudsley FRICS (Appointed 18 May 2021)

Charles is a Chartered Surveyor and is Strategic Advisor to Bridgepoint LLP and Founder of Alma Real Estate Consultancy. From 2010-19 Charles was a Main Board Director at British Land plc with day to day responsibility for the Retail, Leisure and Residential portfolios. Prior to this Charles was Co Head of Europe for LaSalle Investment Management and also sat on the Global Board of the Investment Management business. This followed a role as UK head of Real Estate for AXA REIM. Charles started his career at DTZ where he ultimately held a position as Director in the Investment team.

Sue Clayton BSc FRICS (Appointed 9 December 2014)

Sue was an Executive Director at CBRE, the global property advisers, where she has specialised in UK investment markets for over 25 years until her retirement in 2020. Sue is a Non-Executive Director of SEGRO Plc and of Helical Plc where she chairs the Valuation Committee and sits on the Audit and Remuneration Committees. She is Chair of the Barwood Property 2017 Fund and a Trustee of the Reading Real Estate Foundation.

Andrew McIntyre MA, ACA (Appointed 7 June 2017)

Andrew is the senior independent director of C. Hoare & Co., and a non-executive director of Lloyds Bank Corporate Markets plc, Ecclesiastical Insurance Group plc and Target Group Limited. He is a trustee of the Foundling Museum. Andrew was previously a board member and chairman of Southern Housing Group Limited. He was a partner at Ernst & Young for 28 years.

Frances Davies MA, MPhil (Appointed 18 February 2019)

Frances has 40 years' experience across various senior roles within the asset management and investment banking industries, including with SG Warburg, Morgan Grenfell Asset Management and Gartmore. Since 2007 she has been a Partner of Opus Corporate Finance. Frances currently has non-executive roles for HICL plc, Aegon UK Group plc and Supermarket Income REIT plc.

Michelle McGrath (Appointed 16 May 2023)

Michelle is Executive Director of Shaftesbury Capital PLC, responsible for co-leading the Group's central London real estate portfolio. Michelle was previously Executive Director of Capital & Counties Properties PLC where she was responsible for the Group's Covent Garden portfolio as well as playing a leading role on corporate transactions including the merger with Shaftesbury PLC. Prior to this, Michelle was at UBS Investment Bank, advising companies across the UK listed real estate sector. Michelle is on the Board of the Westminster Property Association and a member of the Finance and Audit Committee of the Royal Academy of Dance.

Fiona Rowley (Appointed 15 May 2023)

Fiona is a chartered surveyor with experience in the UK property sector, having actively invested in the sector for approaching 30 years. She joined M&G Real Estate in 1994 and retired in 2020. Her main role from 2005 was Director; Fund Management, managing UK-focused property funds, particularly M&G's PAIF. Previously she specialised in Central London property investment across various in-house funds. Prior to M&G she gained experience within Knight Frank, a global property adviser. Fiona was a voting member of the M&G Real Estate Property Investment Committee and deputised as chairperson.

Appointments Committee Fees

The Appointments Committee is remunerated in respect of each accounting period an amount that will not exceed 0.05% of the gross asset value of the Trust. The Chairman is paid £40,000 per annum and other members of the Appointments Committee are each paid £27,500 per annum. The members of the Appointments Committee are paid out of the assets of the Trust and receive no additional remuneration for their appointment on the FHPUT Committee.

Trust Management Team

Dermot Kiernan

Dermot has over 35 years extensive experience in the UK property sector. He joined Federated Hermes in October 2020 from M&G Real Estate, where he managed three UK focused property funds. Prior to this Dermot worked for LaSalle Investment Management, principally on UK pension fund mandates, a publicly listed property company and, initially, in the public sector. Dermot is a member of the Royal Institution of Chartered Surveyors and has a BSc in Estate Management from Southbank University. He is also a holder of the Investment Management Certificate and a member of the Investment Property Forum.

Kirsty Wilman

Kirsty Wilman is COO of Real Estate, responsible for coordinating all legal, compliance, finance and operational support for the Real Estate portfolio. She was previously Head of Operations for Private Markets and before that, Finance Director for Real Estate. Prior to joining Federated Hermes Real Estate, Kirsty was at Ernst and Young in Audit and Assurance working with Real Estate and Entrepreneurial clients. She qualified as a Chartered Accountant in 2005.

Clive Selman

Clive joined the International business of Federated Hermes in June 2012 and is responsible for promoting our diverse fund range to the UK discretionary and wholesale market, including global financial institutions. Clive previously worked at Man Investments, where he was responsible for distributing their hedge fund portfolios to a UK and European audience. Clive holds a BA (Hons) in Business Studies and German from the University of Sheffield.

Advisors

Trustee and Depositary

NatWest Trustee and Depositary Services Limited
250 Bishopsgate, London EC2M 4AA
Registered in England no. 11194605

Trustee enquiries should be made to:
NatWest Trustee and Depositary Services Limited
250 Bishopsgate, London EC2M 4AA

Authorised and regulated by the Financial Conduct Authority.

Real Estate Investment Manager

Hermes Real Estate Investment Management Limited
150 Cheapside, London EC2V 6ET

Trust Manager

Hermes Alternative Investment Management Limited
150 Cheapside, London EC2V 6ET

Authorised and regulated by the Financial Conduct Authority. The Trust Manager delegates certain property activities to Hermes Real Estate Investment Management Limited (the Real Estate Investment Manager).

Independent Valuers

Knight Frank LLP
55 Baker Street, London W1U 8AN

Banker

The Royal Bank of Scotland plc
Financial Institutions Corporate Service Team
Aldgate Union, 10 Whitechapel High Street London E1 8DX

Trust Legal Advisors

Bryan Cave Leighton Paisner LLP
Adelaide House, London Bridge, London EC4R 9HA

Independent Auditors

Ernst & Young LLP
Atria One, 144 Morrison Street, Edinburgh EH3 8EX

Managing Agents

Jones Lang LaSalle
40 Bank Street Canary Wharf, London E14 5EG

Workman & Partners
Rivergate House, 70 Redcliff Street, Bristol BS1 6AL

Financial Statements

Consolidated Statement of Total Return

For the year ended 25 March 2023

	Notes	2023 £'000	2022 £'000
Net (loss)/gain on investments	2	**(230,876)**	216,450
Rental income		**59,713**	62,999
Service charge income		**9,067**	8,721
Property expenses	3	**(24,321)**	(23,441)
Net property income		**44,459**	48,279
Management expenses	4	**(3,030)**	(2,296)
Net operating income before interest, finance costs and taxation		**41,429**	45,983
Share of results of investment in joint venture		**1,419**	1,709
Interest income	5	**657**	10
Interest expense and similar charges	6	**(473)**	(848)
Net income before tax		**43,032**	46,854
Taxation	7	**-**	-
Net income after tax		**43,032**	46,854
Total income for the year before distribution		**(187,844)**	263,304
Finance costs - distributions to unit holders	8	**(43,431)**	(47,210)
Change in unit holders' funds attributable to unit holders		**(231,275)**	216,094

All activities derive from continuing operations.

Consolidated Balance Sheet

As at 25 March 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Property investments	9	**1,104,821**	1,450,780
Investment in joint venture	10	**24,423**	28,644
		1,129,244	1,479,424
Current assets			
Debtors	11	**37,728**	43,312
Cash and deposits		**50,382**	55,954
Total current assets		**88,110**	99,266
Current liabilities			
Creditors	12	**(27,990)**	(30,579)
Amounts payable to unit holders	8	**(11,761)**	(11,506)
Total current liabilities		**(39,751)**	(42,085)
Net current assets		**48,359**	57,181
Non current liabilities			
Bank borrowings	13	**67**	(47,847)
Net assets		**1,177,670**	1,488,758
Represented by:			
Capital of unit holders			
Units in issue	14	**536,411**	616,224
Less: Capital expenses		**(50,757)**	(50,358)
		485,654	565,866
Net realised profits on sales of property		**535,445**	474,985
Unrealised profit on property		**156,571**	447,907
Unit holders' funds		**1,177,670**	1,488,758
Capital employed		**1,177,670**	1,488,758

These financial statements were approved by the Appointments Committee on 19 June 2023 and signed on its behalf by:

DocuSigned by:
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David Nicol

DocuSigned by:
Andrew McIntyre
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Andrew McIntyre

Consolidated Statement of Changes in Net Assets Attributable to Unit Holders

For the year ended 25 March 2023

	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 26 March 2021	623,690	(50,002)	474,995	231,447	–	1,280,130
Profit for the year	–	–	–	–	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**
Profit for the period	–	–	60,460	(60,460)	(187,844)	(187,844)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**60,460**	**(60,460)**	**(187,844)**	**(187,844)**
Transfer to capital reserve	–	–	–	(230,876)	230,876	–
Capital expenses	–	(399)	–	–	399	–
Units redeemed	(79,813)	–	–	–	–	(79,813)
Distributions to unit holders	–	–	–	–	(43,431)	(43,431)
At 25 March 2023	**536,411**	**(50,757)**	**535,445**	**156,571**	**–**	**1,177,670**

Consolidated Cash Flow Statement

For the year ended 25 March 2023

	Notes	2023 £'000	2022 £'000
Net cash inflow from operating activities	16	**45,233**	49,388
Capital expenditure			
Property acquisitions and capital additions		**(10,022)**	(18,045)
Capital expenses		**(399)**	(356)
Proceeds from sales of investments		**130,021**	–
		119,600	(18,401)
Returns on investments and servicing of finance			
Interest receivable	5	**657**	10
Distributions paid	8	**(43,177)**	(48,223)
		(42,520)	(48,213)
Financing			
Long term bank borrowing	13	**(48,073)**	–
Units issued in the period	14	**–**	–
Units redeemed in the period	14	**(79,813)**	(7,466)
		(127,886)	(7,466)
(Decrease) in cash and deposits		**(5,572)**	(24,692)
Reconciliation of net cash flow to movement in net funds			
Decrease in available cash during the period		**(5,572)**	(24,692)
Decrease in net funds during the period		**(5,572)**	(24,692)
Opening cash and deposits attributable to unit holders		**55,954**	80,646
Closing cash and deposits attributable to unit holders		**50,382**	55,954

Notes to the financial statements

For the year ended 25 March 2023

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 and the Trust Deed.

Having taken into account the risks and uncertainties, including the impact of geopolitical events, interest rate volatility and rising inflation, the Trust Manager has concluded that the Trust has sufficient financial resources to meet its obligations as they fall due and the Trust Manager is satisfied that at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Statement of Compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102'').

Basis of Consolidation

The Trust holds certain property investments through joint ventures. Such investments are accounted for using the equity method, with the investment property in the joint venture measured at fair value. Investments held through subsidiary undertakings are fully consolidated in the financial statements.

Statement of Total Returns

The Trust has no recognised gains and losses other than those included in the results above and therefore no separate statement of total gains and losses has been presented.

Investment Property

Investment properties are initially recognised at cost and subsequently measured at fair value. The freehold and leasehold investment properties are valued on a monthly basis by the Trust's independent valuers, Knight Frank LLP, on the basis of Market Value in accordance with RICS Appraisal and Valuation Standards. Any surplus or deficit arising on revaluation is included in Unrealised Profit in Unit holders' funds.

Investments in Joint Ventures

Investments in joint ventures are initially recognised at the transaction price and are subsequently adjusted to reflect the share of the profit or loss, other comprehensive income and equity of the associate. Any surplus or deficit arising is included in Unrealised Profit in Unit holders' funds.

1. Accounting policies (continued)

Income and Expenditure

Rental income, service charge income, interest and expenditure are accounted for on an accruals basis. Rental income is recognised on a straight-line basis over the term of the lease even if payments are not made as such.

Incentives paid to enter into an operating lease are debited to the profit and loss account, to reduce the rental income, on a straight-line basis over the period of the lease. The Trust has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (26 March 2014) and continues to debit such lease incentives to rental income over the period to the first review date on which the rent is adjusted to market rates. Lease incentives are recorded within debtors and a corresponding reduction is made to property valuations.

Valuation fees and performance fees payable to the Real Estate Investment Manager are treated as capital expenses. They are reported within property expenses in the Consolidated Statement of Total Return but are not taken into account in determining the Trust's distributable income, instead being taken to the Capital expenses reserve. The effect of this treatment is to increase income distributions and reduce the Trust's Net Assets by the value of such expenses each year. Transaction costs are capitalised and reported as part of the net gain or loss on investments in the Consolidated Statement of Total Return.

Other than the interest receivable and interest payable and similar charges balances, there are no items of income, expense, gain or loss arising from the Trust's financial instruments.

Distributions

It is the policy of the Trust to distribute all income net of expenses to the unit holders on a quarterly basis. In accordance with FRS 102, distributions have been classified as finance costs.

Purchases and Sales of Investment Property

Property purchases are accounted for on exchange of unconditional contracts, otherwise on completion. Sales are accounted for on completion.

Cash and Deposits

Cash and deposits includes cash at bank, cash in hand and overnight deposits.

Debtors

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. A provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are specifically identified.

Creditors

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Bank Borrowings

Interest bearing bank loans are recorded at proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are recognised on an accrual basis. Issue costs are amortised over the period to the date of expiry of the facility agreement.

Significant Accounting Estimates

The Trust's key source of estimation relates to the valuation of the property portfolio where external valuations are obtained from the Trust's independent valuers. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is no assurance that the estimates will reflect the actual sales price even where a sale occurs shortly after the valuation date.

2. Net (loss)/gain on investments

The net gain during the period comprises:

	2023 £'000	2022 £'000
Proceeds from sales of investments	**130,021**	–
Original cost of investments sold	**(69,561)**	–
Profit realised on investments sold	**60,460**	(10)
Net unrealised (loss)/gain on revaluation of property investments	**(287,115)**	209,730
Net unrealised (loss)/gain on revaluation of investment in joint venture	**(4,221)**	6,730
Net (loss)/gain on investments	**(230,876)**	216,450

3. Property expenses

	Notes	2023 £'000	2022 £'000
Trust Manager fees			
Base fee	15	**4,060**	4,242
Performance fee		**34**	–
Service charge expenses		**14,754**	13,754
Other expenses		**5,108**	5,089
Valuation fees		**365**	356
		24,321	23,441

Performance fees of £34,000 and valuation fees of £365,000 (2022: Performance and Valuation fees of £356,000) are treated as capital items and added back to income for distribution purposes. Trust Manager base fees represent the portion of base fees payable to the Trust Manager for the management of the portfolio and are calculated at 0.30% per annum of the net asset value.

Other expenses includes a specific bad debt provision of £1,918,000 for rental income and service charge not collected from tenants as at March 2023 (2022: £3,599,000).

4. Management expenses

	Notes	2023 £'000	2022 £'000
Appointments Committee fees		**162**	162
Trustee fees		**173**	157
Trust Manager fees	15	**1,353**	1,346
Professional and other fees		**1,207**	505
Audit fees		**135**	126
		3,030	2,296

Trust Manager base fees represent the portion of base fees payable to the Trust Manager for the management of the Trust and are calculated as 0.10% per annum of the net asset value.

The Trustee is entitled to receive a fee based on the Trust's net asset value, which is calculated and paid quarterly in arrears. The Trustee's fee entitlement is 0.030% per annum on the first £100 million, 0.015% per annum on the next £200 million and 0.010% per annum of the Trust's net asset value over £300 million. The terms of this fee arrangement are subject to review on an annual basis by the Appointments Committee.

Audit fees relate to the financial statement audit of the Trust and its wholly owned subsidiary. No non-audit fees were paid to the Trust's auditors (March 2022: nil).

5. Interest receivable

	2023 £'000	2022 £'000
Interest on cash and deposits	**657**	10
Other interest receivable	**–**	–
	657	10

6. Interest payable and similar charges

	2023 £'000	2022 £'000
Interest payable	**386**	735
Amortisation of loan issue costs	**87**	113
	473	848

7. Taxation

Factors affecting tax charge

	2023 £'000	2022 £'000
Net income and loss on investment before taxation	**(188,761)**	263,304
Income tax at standard rate of 20.00%	**–**	52,661
Exemption from tax on capital gains	**–**	(43,290)
Permanent differences of disallowable expenses	**–**	(9,371)
Income tax charge	**–**	–

On 26 August 2014, the Trust was approved as an exempt Unauthorised Unit Trust by HMRC, so it is not required to withhold tax from unit holders on distributions.

8. Reconciliation of distribution to net income

	2023 £'000	2022 £'000
Interim distributions		
- June quarter	**10,646**	**11,115**
- September quarter	**10,389**	**13,654**
- December quarter	**10,635**	**10,935**
- March quarter	**11,761**	**11,506**
	43,431	**47,210**
Net income after taxation for the year	**43,032**	**46,854**
Expenses transferred to capital	**399**	**356**
Distributions	**43,431**	**47,210**

Expenses transferred to capital are the performance fee payable to the Trust Manager and the fees for the valuation of the property portfolio as detailed in Note 3.

9. Property Investments

	Freehold £'000	Leasehold £'000	Lease Incentives £'000	Property Investments £'000
Valuation				
Valuation as at 25 March 2022	1,343,274	123,046	(15,540)	1,450,780
Additions at cost	10,115	34		10,149
Proceeds from disposals	(130,021)	-		(130,021)
Adjustment on Lease incentives re disposal			568	568
Realised Gain on Disposal	60,460			60,460
Revaluation loss during the period	(260,353)	(26,780)	18	(287,115)
Valuation as at 25 March 2023	**1,023,475**	**96,300**	**(14,954)**	**1,104,821**
Historical cost at 25 March 2022	**860,853**	**71,193**	**-**	**932,046**
Historical cost at 25 March 2023	**922,046**	**71,454**	**-**	**993,500**

The Trust's investment properties at 25 March 2023 were valued by Knight Frank LLP, qualified valuers, on a market basis at £1,119,775,000. The valuations were carried out in accordance with the current edition of RICS Valuation - Global Standards, issued by the Royal Institution of Chartered Surveyors (the "Red Book") which incorporates the International Valuation Standards. Knight Frank LLP have recent experience in the location and class of the investment property being valued. The method of determining fair value was a combination of the comparable method of valuation and the residual method of value. The significant assumption applied is that the development will be carried out in accordance with the application and plans submitted.

The amount recognised in the profit and loss account for the period for rental income from investment property is £59,204,000 (March 2022: £62,999,000). Direct operating expenses (including repairs and maintenance) arising from investment property are £24,728,000 (March 2022: £23,441,000). No contingent rents have been recognised in the period or prior year.

Property valuations reconcile to the independent valuers' report as follows:

	2023 £'000	2022 £'000
Directly held properties valued by Knight Frank LLP	**1,119,775**	1,466,320
Directly held property valued at cost	**-**	
Lease incentives	**(14,954)**	(15,540)
Total property investments	**1,104,821**	1,450,780

10. Principal subsidiary and joint venture

	Share of Limited Partnership	Country of registration
Subsidiary		
Capital Hill Partnership	100.00%	UK
Joint Venture		
Tower Hill Retail Limited Partnership	50.00%	UK
	2023 £'000	**2022 £'000**
Investment in joint venture	**24,423**	28,644

11. Debtors

	2023 £'000	2022 £'000
Rental income	**11,210**	16,267
Prepayments and accrued income		
– due within one year	**15,960**	16,445
Other debtors	**10,558**	10,600
	37,728	43,312

12. Creditors

	2023 £'000	2022 £'000
Amounts falling due within one year		
Deferred income	**11,767**	13,174
VAT	**2,720**	3,757
Other creditors and accruals	**13,503**	13,648
	27,990	30,579

13. Bank borrowings

	2023 £'000	2022 £'000
Bank loan	–	48,000
Less: unamortised loan costs	**(67)**	(153)
	(67)	47,847

On 17 October 2017, the Trust entered into a £75 million loan facility with Wells Fargo Bank International (WFBI) with an original repayment date of 17 October 2022. The Trust signed a loan extension agreement with Wells Fargo, effective 25 March 2022, which expires on 31 December 2023. This loan is secured on certain of the Trust's properties and interest is payable at a SONIA floor rate of 0.25%, a SONIA floating rate, a Credit Adjustment Spread of 0.098% plus a margin of between 1.25% and 1.35% depending on fund leverage. A commitment fee is also payable at a rate of 0.5% per annum when no loan is outstanding, and 40% of the applicable margin per annum when any loan is outstanding.

On 5 November 2018, following a realignment of their European loan booking strategy, the loan facility was transferred from WFBI to an affiliate, Wells Fargo Bank National Association, London Branch (WFBNA), with no impact to the Trust's existing loan facility agreement.

On 11 August 2022, the Trust repaid the £48,000,000 outstanding balance of the loan facility, therefore, as at 25 March 2023, the Trust had an outstanding balance on the loan facility of £Nil. (March 2022: £48,000,000).

14. Units in issue

	Numbers of Units 000	Value £'000
At 26 March 2022	195,009	616,224
Redeemed in the period	(11,501)	(79,813)
At 25 March 2023	**183,508**	536,411

	Numbers of Units 000	Value £'000
At 26 March 2021	196,096	623,690
Redeemed in the year	(1,087)	(7,466)
At 25 March 2022	**195,009**	616,224

15. Related party disclosures

During the period under review there were transactions with the following related parties:

The fees payable to Hermes Alternative Investment Management Limited, the Trust Manager, for the period, including irrecoverable VAT, were:

	Notes	2023 £'000	2022 £'000
Trust Manager base fee – property expenses	3	**4,060**	4,242
Trust Manager base fee – management expenses	4	**1,353**	1,346
		5,413	5,588
Trust Manager performance fee – property expenses	3	**34**	–

	2023 £'000	2022 £'000
The amounts payable at the end of the period were:		
Trust Manager base fee – property expenses	**883**	1,117
Trust Manager base fee – management expenses	**294**	372
	1,177	1,489
Trust Manager performance fee – property expenses	**–**	–

The Trust Manager is entitled to receive a base fee of 0.40% per annum of the net asset value of the Trust, subject to a minimum fee of £1,300,000 per annum. In addition, the Trust Manager may receive performance related fees for Real Estate Related Services if the performance of the Trust exceeds the average weighted total return of the agreed benchmark, being the average return on the IPD UK Other Balanced Property Fund Index Weighted Average Returns, on a three year rolling average basis. The amount of the fee is calculated as 17.5% of the out-performance generated. Total fees are capped at 0.80% of the net asset value of the Trust per annum.

The Trust Manager delegates certain property activities to Hermes Real Estate Investment Management Limited (the Real Estate Investment Manager). Trust Manager base fee – property expenses and Trust Manager performance fee – property expenses listed above are payable by the Trust Manager to the Real Estate Investment Manager.

16. Reconciliation of net income to net cash inflow

	Notes	2023 £'000	2022 £'000
Net income before taxation		**43,032**	46,854
Interest receivable	5	**(657)**	(10)
Share of results of investment in joint venture		**(1,419)**	(1,709)
Expenses transferred to capital	3	**399**	356
Decrease in debtors		**7,003**	4,348
(Decrease) in creditors		**(3,125)**	(451)
Net cash inflow from operating activities		**45,233**	49,388

17. Commitments

	2023 £'000	2022 £'000
Committed property investment activity	**7,726**	2,223

This relates to capital commitments in respect of approved capital expenditure on properties within the Trust's portfolio. The most significant capital expenditure projects are driven by £2.1m for M2 City Link Rochester, £0.9m for Eagle Park Warrington, £0.5m for Maybird Shopping Centre, £0.4m for IPP St Albans Rt Pk Ph1, £0.4m for Templars Shopping Park, £0.3m for 18-20 John Street, £0.3m for Christopher Place, £0.3m for 27 Soho Square, £0.2m for Centrus Industrial Estate, £0.2m for One City Place, £0.2m for The Broadway SW19, £0.2m for Guinness Road Trading Estate, £0.2m for Commercial Point, £0.2m for 8-10 Great George Street, £0.2m for Horndon Industrial Estate, £0.2m for Erdington Industrial Park Birmingham, £0.1m for St Martins Centre, £0.1m at Maybird Shopping Centre, £0.1m for Thomas Road Industrial Estate and £0.1m for The Round Foundry Estate alongside further smaller capital expenditure projects across the Trust's poroperty portfolio.

18. Events After the Balance Sheet Date

Two further sales have completed, a Birmingham industrial estate at £27.2m and a West End office for £45.5m.

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 25 March 2023 was **£1,145,225,000 (One Billion, One Hundred and Forty Five Million, Two Hundred and Twenty Five 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 by 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 on a 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 (and which is planned to continue in the first half of 2020).

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:	£1,023,475,000	£96,300,000	£1,119,775,000
Tower Hill Retail Limited Partnership Held as Investments:	£25,450,000	–	£25,450,000
Total	**£1,048,925,000**	**£96,300,000**	**£1,145,225,000**

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:

Emily Miller MRICS
RICS Registered Valuer
For and on behalf of
Knight Frank LLP

Independent auditors' report to the Unitholders of Federated Hermes Property Unit Trust

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Federated Hermes Property Unit Trust ("the Trust") for the year ended 25 March 2023, which comprise the Consolidated Statement of Total Return, the Consolidated Statement of Changes in Net Assets Attributable to Unitholders, the Consolidated Balance Sheet, the related notes, and the accounting policies of the Trust, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 25 March 2023 and of the net revenue and the net capital losses on the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor' report thereon. The Manager is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 28, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up or terminate the Trust or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Trust and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Trust Deed.
- We understood how the Trust is complying with those frameworks through discussions with the Manager and a review of the Trust's documented policies and procedures.
- We assessed the susceptibility of the Trust's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified fraud risks in relation to incorrect valuation of property investments, incomplete or inaccurate recognition of rental income including accounting for lease incentives; and incomplete or inaccurate provisions for doubtful debts. To respond to these risks, for a sample of property investments we engaged our valuation specialists to review the independent valuers work and we agreed key data included in the tenancy schedule to lease documentation; we performed analytical procedures and on a sample basis we recalculated rental income recognised with reference to lease documentation; and we assessed the provision policy and tested its application to a sample of aged rent receivables.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Trust.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trust's unitholders, as a body, in accordance with our engagement letter dated 16 March 2023. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
David Reeves
CE10A0055F1B468

Ernst & Young LLP
Statutory Auditor
Edinburgh
19 June 2023

Investor Information

Information about the Trust

Investment Strategy and Objectives

The investments of the Trust consist primarily of freehold and leasehold land and buildings. It is the policy of the Trust Manager to spread these investments over a wide range of properties, so as to maintain a balanced investment portfolio with capital growth potential and beneficial yield. Properties may also be acquired, developed or otherwise dealt with jointly alongside other investors, particularly where these provide Unit Holders with exposure to property assets of a type or size that would not be appropriate for the Trust's portfolio if they were to be held directly.

The Trust Manager follows policies and practices designed to enhance property returns whilst minimising risk. These are summarised as follows:

- The portfolio of properties held by the Trust will be diversified between sectors dependent upon the potential returns from each sector. The Trust may also invest in non-core sectors of the property market which display beneficial performance characteristics.
- The Trust may invest alongside other investors in pooled investments where these provide exposure to assets of a size, type or location that are expected to provide enhanced returns. The amount of exposure to jointly held assets is carefully controlled in accordance with the Trust's investment restrictions.
- Properties will be acquired where the characteristics of the investment itself indicate outperformance through a combination of above average rental growth prospects and advantageous movements in capitalisation yield.
- Properties acquired will mainly be let to tenants of a good financial covenant where risk of default is considered to be low, although this will be balanced with acquisition of investments which offer the potential of future value enhancement as a result of active management.
- There will be a continuing programme of upgrading existing properties to improve rental growth prospects and capital values wherever appropriate by refurbishment, redevelopment or lease restructuring.
- Before developments are undertaken, either directly or in association with third parties, a careful review of the risk to reward ratio of the potential development will take place to ensure an acceptable balance for that project and for the Trust as a whole, and that development will be compliant with the Trust's investment restrictions.
- The Trust can enter into derivatives transactions which reference property or property return indices. The Trust cannot extend its derivatives exposure beyond 15% of the value of the Trust's Gross Assets. Derivatives transactions would be used to hedge or increase the Trust's exposure to property when it could be better achieved by the use of derivatives than by conventional investment transactions. The Trust can also enter into ancillary derivatives transactions such as interest rate swaps.

Investment Constraints

The Trust Manager may invest in property and property related investments, the latter to include shares, units, bonds or debentures or other interests in any company or collective investment scheme whose principal business is property investment or development. The Trust Manager may also enter into Derivative Transactions where such investments derive their value from Property or are based on a property return index. The aggregate of any such Derivative Transactions entered into must not exceed 15% of the value of the Trust's Deposited Property in accordance with the terms of the Trust Deed.

The Trust Manager sets constraints on the proportions that may be invested in indirect vehicles, developments and joint vehicles. These are monitored regularly by the FHPUT Committee, and the Real Estate Investment Manager must comply with these constraints in the investment management of the Trust but subject to FHPUT Committee discretion. A summary of the investment constraints is set out below:

- Co-investment – Not more than 10% of gross asset value to be held in investments alongside other investors.
- Debt – No more than 30% of gross asset value. There are also constraints on the level of gearing set out in the Trust Deed.
- Development – Exposure to be no more than 10% of gross asset value.
- Cash (including deferred considerations) – Usually no more than 10% of gross asset value, or subject to a waiting list for new investors to be implemented from time-to-time.
- Maximum relative property size – 10% of gross asset value.
- Approval is required for any purchase of leasehold interests with an unexpired term of less than 50 years, non-standard sectors and for the purchase of listed or indirect investments.

- The aggregate value of any Derivative Transactions entered into must not exceed 15% of gross asset value. Any derivative transactions will be approved by the FHPUT Committee.

Membership

The Trust Deed restricts the holding of Units to Exempt Funds. An "Exempt Fund" is defined in the Trust Deed to mean any person (including a body of persons or body corporate), trust, fund or unincorporated association that is wholly exempt (otherwise than by reason of residence) from capital gains tax or corporation tax on capital gains in the United Kingdom or which may hold Units in the Trust without prejudicing the total exemption of the Trust from tax on capital gains under Section 100(2) of the Taxation of Chargeable Gains Act 1992 including, as the context may require, any person or persons in whom the assets comprised in any such trust, fund or unincorporated association are from time to time vested or the persons having the conduct or administration thereof.

Further information about the Trust including its Units Dealings is available in the General Information Memorandum at www.hermes-investment.com/ukw/capabilities/private-markets/real-estate/fhput/

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the unitholders of Federated Hermes Property Unit Trust will be held at 150 Cheapside, London, EC2V 6ET on Monday 17 July 2023 at 11.00am for the following purposes:

1 To receive the Reports of the Trust Manager and Auditors and the Financial Statements for the year ended 25 March 2023.

2 To acknowledge the retirement of David Nicol as a member of the Appointments Committee.

3 To vote on the re-election of Frances Davies (being eligible and offering herself for re-election) as a member of the Appointments Committee.

4 To vote on the election of members of the Appointments Committee who were appointed since the last Annual General Meeting:

   3.1 Fiona Rowley being eligible, offers herself for election.

   3.2 Michelle McGrath being eligible, offers herself for election.

5 To appoint Ernst & Young as auditors of the Trust, to hold office until the conclusion of the next annual general meeting at which Financial Statements are laid before the unitholders and that their remuneration be fixed by the Appointments Committee.

Please note that for those unitholders who do not wish to attend in person, it will be possible to attend (but not to vote at) the meeting remotely via Microsoft Teams. Video conferencing details will be circulated to unitholders in advance of the AGM on request.

Unitholders entitled to attend and vote at the Meeting may appoint a proxy to attend and vote in their place and a unit holder, being a corporation, may authorise any person to be its representative at the Meeting. Unitholders attending remotely will not be able to vote via Microsoft Teams and are therefore encouraged to submit proxy voting forms in advance. A proxy card is enclosed. As the quorum required for the passing of the Resolutions, without adjournment, is unitholders present in person or by proxy representing not less than one tenth in number of unitholders (being not less than two), you are particularly asked to appoint either the Chairman or the Company Secretary as your proxy and to complete and return the proxy card. This will not preclude you from attending in person and voting at the Meeting if you so wish.

To be effective, forms of proxy must be sent by email, headed 'FHPUT AGM', to fhput@federatedhermes.com or deposited at the office of the Trust Manager – Federated Hermes Property Unit Trust, Hermes Alternative Investment Management Limited, 150 Cheapside, London EC2V 6ET, by no later than noon on Sunday 16 July 2023. A unitholder that is a corporation may also authorise a person to be its representative at the AGM. If you wish to appoint a corporate representative, you must provide their name, position and the authority granting them permission to act as your representative by email, headed 'FHPUT AGM', to fhput@federatedhermes.com by 9am (and no later than noon) on Friday 14 July 2023. A template corporate representative appointment letter can therefore be provided if required on request. A completed corporate representative appointment letter will also be required to be brought to the meeting in order for a corporate representative to attend and vote. We understand that the AGM is valued as an opportunity for unitholders to voice their opinions and to engage with the Manager and the Appointments Committee and therefore, we encourage unitholders to submit questions in advance of the AGM so that these can be addressed. To ensure that your questions are included, questions should be sent by email, headed 'FHPUT AGM' to fhput@federatedhermes.com by Friday 14 July 2023. Further questions can be submitted during the meeting either in person or via Microsoft Teams and will be addressed at the end of the formal business of the meeting. Any updates to the AGM arrangements will be communicated to you by the Trust Manager via the Trust's website. Unitholders are advised to check the Trust's website for the most up to date position.

Unaudited

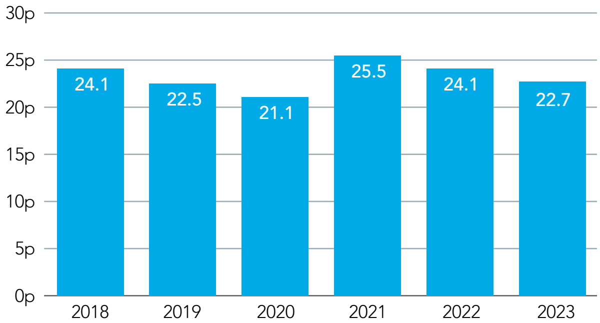
Distribution Analysis and Expense Ratios

Quarterly distribution	Quarter to Jun 2022 £000	Quarter to 29 Sep 2022 £000	Quarter to 25 Dec 2022 £000	Quarter to 25 Mar 2023 £000	Total £000
Net distribution	10,646	10,389	10,635	11,761	43,431

Distribution per unit	Quarter to 24 Jun 2022 pence	Quarter to 29 Sep 2022 pence	Quarter to 25 Dec 2022 pence	Quarter to 25 Mar 2023 pence	Total pence
Net distribution	5.462	5.330	5.634	6.286	22.712
Date paid	15 Aug 22	15 Nov 22	15 Feb 23	15 May 23	

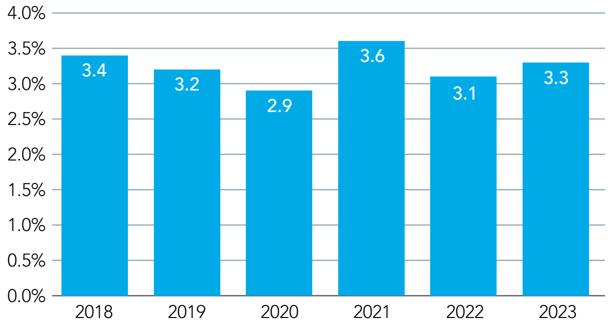
The gross yield on net asset value as at 25 March 2023 was 3.5%. The yield on offer at 25 March 2023 was 3.3%.

Net distribution per unit
As at 25 March



Source: Hermes Real Estate Investment Management.

Yield on offer price
As at 25 March



Source: Hermes Real Estate Investment Management.

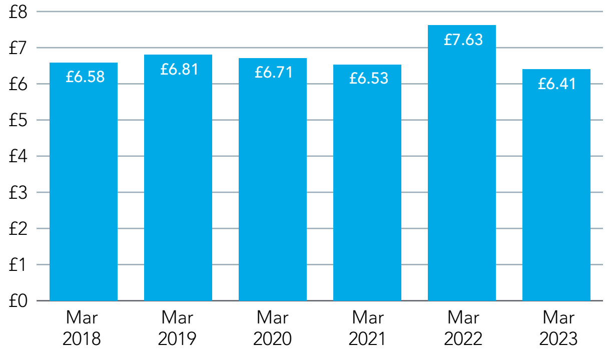
Net income is distributed quarterly on 15 February, 15 May, 15 August and 15 November for the periods ended 25 December, 25 March, 24 June and 29 September respectively, or the business day prior to those dates. Income accrues monthly to unit holders to each registration date (usually 26th of each month).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

Total expense ratios	Quarter ending 25 March 2023 £'000	Quarter ending 25 March 2023 % of average NAV	Quarter ending 25 March 2022 £'000	Quarter ending 25 March 2022 % of average NAV
Fund Management Fees	5,413	0.40%	5,588	0.40%
Fund Operating Expenses	2,042	0.15%	1,306	0.09%
Total Expense Ratio	7,455	0.55%	6,894	0.49%
Property Expense Ratio	9,285	0.69%	6,523	0.47%
Real Estate Expense Ratio	16,740	1.24%	13,417	0.96%
Transaction Costs	1,421	0.10%	41	0.00%
Performance Fees	34	0.00%	–	0.00%

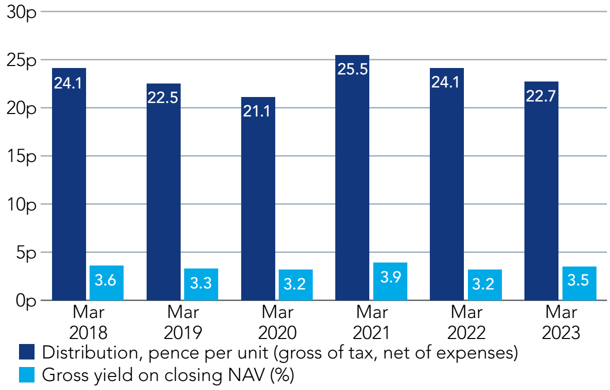
The Trust's portfolio turnover ratio was 5.91% (25 March 2022: 0.37%). The total expense ratios are calculated in accordance with AREF principles, which are available from **www.aref.org.uk**. Fund management fees include fees paid to the Trust Manager. Total fees payable to the Real Estate Investment Manager in a calendar year are capped at 0.80% of the December net asset value as described in note 14. 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

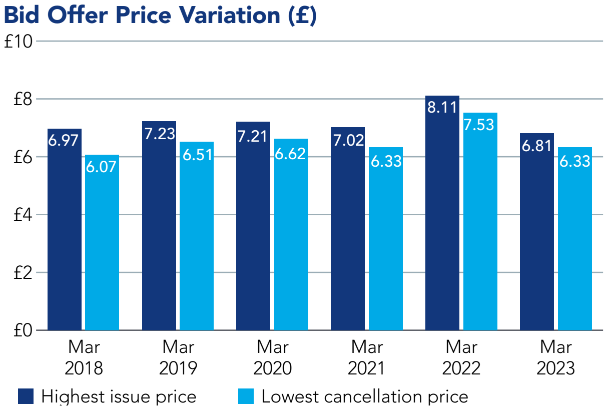


Distribution Per Unit

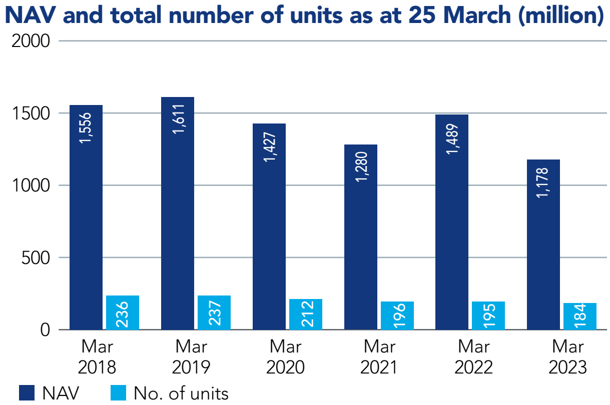


During the year 11,500,623 units were redeemed.

Bid Offer Price Variation (£)



NAV and total number of units as at 25 March (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%	81	92%
3% – 10%	8	8%
10% – 20%	0	8%
> 20%	0	0%
Total	89	100%

	Number of unit holders	Total Holding (%)
Internal investors	0	0%
External investors	89	100%
Total		
Largest investor	1	8.2%
Ownership held by top 5 investors	5	31.1%

Unit Prices

Month	Offer (£)	Bid (£)
March 23	6.81	6.33
February 23	6.82	6.35
January 23	6.82	6.35
December 22	6.84	6.35
November 22	6.97	6.49
October 22	7.46	6.94
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

Unaudited

Alternative Investment Fund Managers Directive (AIFMD) – Remuneration disclosure

Hermes Alternative Investment Management Limited ("HAIML"), manager of Federated Hermes Global Investment Funds (Cayman) Master, SPC ("FHGIF"), is authorised by the FCA as an AIFM and appointed as such, with effect from 20 January 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 ("Hermes") in its oversight of HAIML must make relevant remuneration disclosures no later than 6 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.

Approach to Remuneration

FHGIF is managed by HAIML, which is a subsidiary of 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	512	1,995
of which		
Fixed remuneration		1,264
Variable remuneration		730
Hermes Code Staff employees that also cover HAIML	44	892
of which		
Senior Management	13	362
Other Code Staff	31	529

AIFM activities

The following table provides an overview of the size and composition of the funds managed by HAIML, including FHGIF. 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 2022	% of AUM
HAIML	2	£1,347,137,502	100
of which			
Alternative investment funds	2	£1,347,137,502	100
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 2022 – 31 December 2022.

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 Director having over 30 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%.

Alternative Investment Fund Managers Directive (AIFMD) – Federated Hermes Property Unit Trust disclosures as at 25 March 2023.

Leverage under Gross Method

The Trust has Leverage of 100% as calculated under the Gross Commitment Leverage method as at the year ended 25 March 2023.

Leverage under Commitment Method

The Trust has Leverage of 105% as calculated under the Net Commitment Leverage method as at the year ended 25 March 2023.

Further Information

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