

September 2018

Overview

In the third quarter of 2018 the Trust delivered a total return of 2.7% to unit holders outperforming the Trust's benchmark of 1.7%. The UK commercial market continued to be reasonably buoyant during the period, with modest appreciation in capital values overall. However, not all parts of the market experienced growth and the market environment within the retail sub-sectors continued to be challenging with rental and capital values reducing for many types of investment. During Q3 the Trust made one investment and contracted to sell a number of assets with further disposals likely during Q4.

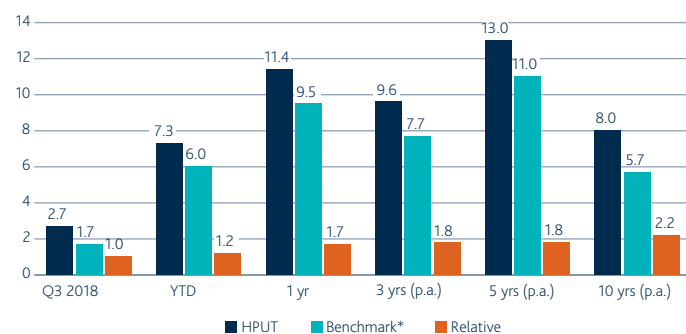
Performance

In Q3 2018 the Trust delivered a total return of 2.7% to unit holders outperforming the Other Balanced benchmark weighted average of 1.7% by 1.0% on a geometric basis. Over the year to September 2018 the Trust delivered a total return of 11.4% to unit holders, outperforming the benchmark of 9.5% by 1.7% on a geometric basis. Over the 1, 3, 5 and 10 year periods the Trust continues to deliver top quartile returns to its investors and is the top performing fund in the wider All Balanced benchmark peer group over the 10 year period.

At sub-sector level, the Trust's Industrial sector continued to deliver the strongest contribution to portfolio return by increasing the overall return for Q3 by 0.7%. This was followed by Other/Leisure sector with an increased overall return contribution of 0.6%. During the same period the Retail Warehouses sector reduced the returns by 0.5% with valuation declines reflecting poor investor sentiment for retail assets generally, and a number of tenant administrations specifically within the Trust's portfolio.

Performance as at end September 2018

Fund v benchmark (%)



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

At property level, the investment that delivered the strongest contribution to portfolio return was the Trust's industrial site in Reading (Reading Metropolitan), which increased in value as a consequence of strong interest from prospective purchasers for an alternative use. This was followed by the Trust's holding at Broken Wharf House in the City of London which benefitted from the completion of the letting to a serviced apartment operator: the tenant will refurbish the property for serviced apartments to be monitored and funded by the Trust. As has been the theme in recent quarters, the assets that most reduced the Trust's portfolio return during Q3 were within the retail sub-sectors reflecting poor investor sentiment within the property market for retail assets, but also a number of tenant administrations. The two assets that most reduced the Trust's overall return were Maybird Shopping Park in Stratford-upon-Avon and the Trust's shopping centre, Christopher Place in St Albans.

Transactions

Nexus Park, Newbury

In July 2018 the Trust purchased a multi-let industrial estate located in a strong South Eastern industrial market for £27.5 million, reflecting an initial yield of 4.85% (including rental guarantees), an equivalent yield of 4.80%, and a capital value per sq.ft. of £145. There is a strong occupier interest for the four newly developed, but vacant, industrial units which are subject to 12 month rental guarantees. The principal tenant is SPX which occupies 109,739 sq. ft. on a lease expiring in 2026 (tenant break in 2021).

Yarnfield Park Training & Conference Centre, Yarnfield

In September 2018 the Trust exchanged for the sale of the property, with completion in December 2018 for £16.0 million reflecting a net initial yield of 6.3% and a premium to valuation as at end of August 2018 of 9.5% (purchased in June 2015 for £9.5 million). The delayed completion will provide the Trust with additional rental income.

The Porter Building, Slough

A long lease of this building was sold to a developer in 2015 with the developer under an obligation to redevelop the office property. The Trust retained the freehold and a capital payment (on the sale of the lease to the developer) was deferred until completion of the project. In August 2018 the investment was sold and the Trust's deferred payment was settled, and the Trust received an average payment to reflect the strong investment returns delivered by the project. This investment delivered a total return of 32.8% during Q3.

Asset Management

Broken Wharf House, London

The lease to the serviced apartment operator was completed in September and the physical works of refurbishment to the existing building were commenced in October. The terms of the letting were noted in the Q2 factsheet.

Industrial Investments

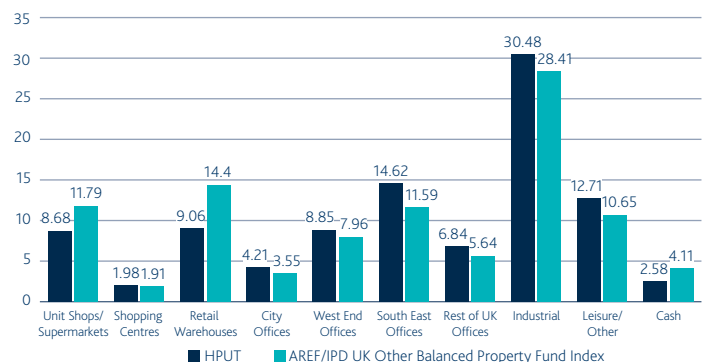
The Trust has secured a number of new lettings and lease renewals during Q3 which will improve the income return of the portfolio. At Eagle Park, Warrington a vacant unit of 14,000 sq.ft. was let to Penlaw & Co for 10 year term with break at 5th year. The rent passing, after tenant incentives, was agreed at £94,830 per annum. At Guinness Road Trading Estate, Manchester, a lease was renewed with an existing tenant on 21,000 sq.ft. KBF Enterprises have renewed for a term of five years with a passing rent of £105,000 per annum. At West Horndon Industrial Estate 140,000 sq.ft. of vacant warehousing has been let on a 5 year term and they will generate an aggregated annual income of £525,000 per annum for the portfolio after tenants' incentives.

5-10 Church Street, Cardiff

Over the last few months the Manager has been working on a refurbishment project involving the Trust's vacant retail investment in Cardiff City Centre. The units have been largely pre-let to operators in the restaurant/retail sector which will occupy the units at completion of the works. Once complete the investment will generate a rental income for the Trust of £512,000 per annum after tenants' incentives and this investment will dramatically improve, what was a relatively tired asset. The Trust will fund the capital works up to £4 million and the project is expected to complete in March 2019.

Portfolio Structure Comparison

Sector Weighting % Total Portfolio Value



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

Outlook

The divergence in the performance of retail and other property types has continued during Q3 and we expect this trend to continue: the market environment for retail assets remains challenging, but there continues to be good investment demand for good quality office and industrial investments. Anecdotally, we have noted that the supply of industrial investments for sale has increased during September and October and within the wider market, investor confidence has weakened since the summer. In part this reflects the recent falls in World stock markets, but for the UK specifically, the continuing uncertainty in relation to the terms of the UK's departure from the EU. The Manager will continue to make prudent investments and selective disposals to ensure the portfolio is positioned to deliver good long term performance for the Trust's investors.

September 2018

Key Statistics

As at end September 2018

Gross asset value	£1,605.8m
Net asset value	£1,605.8m
Directly held assets	85
Indirect real estate vehicles	0
Offer Price	£7.217
Bid Price	£6.714
Net Asset Value per unit	£6.800
Number of unit holders	108
Distribution per unit - paid (Quarter to Sep 18)	5.66p
Distribution per unit - paid (Year to Sep 18)	23.94p
Yield on offer price	3.32%
12 month return to unit holders	11.4%
Quartely return	2.7%
Bid / Offer spread	7.0%

Source: Hermes Real Estate, end September 2018

Top 10 Direct Holdings by Value Band (GAV)

As at end September 2018

Asset	Sector	Lot Size (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	95-100
8/10 Great George Street, London, SW1P	West End Offices	65-70
Polar Park, Bath Road, Heathrow	Industrials	50-55
Horndon Industrial Park, West Horndon	Industrials	45-50
27 Soho Square, London, W1D	West End Offices	45-50
Charlton Gate, London	Industrials	45-50
Broken Wharf House, High Timber Street, London EC4	Leisure/Other	40-45
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	40-45
Hythe House, Hammersmith	Standard Offices SE	40-45
Camden Works, Oval Road, London NW1	Standard Offices SE	35-40

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

The Structure of the Hermes Property Unit Trust

The Appointments Committee

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

Chairman – David Nicol BA (Hons) CA

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

Paul Clark BA (Hons), MPhil

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

Sue Clayton BSc FRICS

Sue is an Executive Director at CBRE, the global property advisers, where she has specialised in UK investment markets for over 25 years. Sue is a non-executive Director of Helical PLC where she chairs the Valuation Committee and sits on the

Audit and Remuneration Committees. She is a Trustee of the Reading Real Estate Foundation. Barwood Capital Ltd have appointed Sue as Chair of its Barwood Property Fund 2017.

Andrew McIntyre MA, ACA

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

About Hermes

Hermes Real Estate Investment Management is one of the largest real estate managers in the UK and is the dedicated real estate subsidiary of Hermes Investment Management Limited (HIML). HIML is majority owned by Federated Investors Inc. a leading US investment manager. BT Pension Scheme retains a minority stake and its position as one of the UK's largest corporate pension schemes affords Hermes Real Estate a privileged insight into the issues faced by pension schemes today and facilitates a unique alignment with other long-term investors.

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

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

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

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