

# Hermes Property Unit Trust

## Quarterly Update - March 2007

### Overview

HPUT has continued its strong relative performance into 2007, returning 3.1% against a benchmark of 2.7% for the quarter. Over the year to March, the Trust returned 18.5% versus 17.3% and remains the best performing fund within its benchmark over 5 years, with an average annual return of 16.5% against a benchmark figure of 15.4%.

The Trust's exposure to Central London Offices continued to drive overall returns, as did the re-developed Carmel House in Sheffield which we sold in February.

	Q1 2007 (%)	1 year (%)**	3 years (% p.a.)	5 years (% p.a.)
HPUT	3.1	18.5	20.4	16.5
Benchmark*	2.7	17.3	18.8	15.4
Relative	0.4	1.0	1.3	1.0
Quartile	1	1	1	1

\* IPD UK Balanced PUT (Weighted average) \*\*Year to March 2007

We have detailed in recent Factsheets a series of acquisitions and disposals we have made in order to restructure HPUT's asset allocation. This activity continued in the March quarter, with two further disposals and an acquisition, detailed below. We expect to make further transactions in the second quarter.

### Acquisition

- Guinness Road Trading Estate, Trafford Park, Manchester**  
 This asset was bought for £17.25m in February. It is a multi-let industrial estate of 22 units totalling 235,000 sq.ft. and tenants include Speedy Lifting, Bunzl Vending Services and Johnson & Johnson Furniture. Rents on the estate are low relative to comparable accommodation elsewhere on Trafford Park, and we believe that there are excellent prospects for relative outperformance.

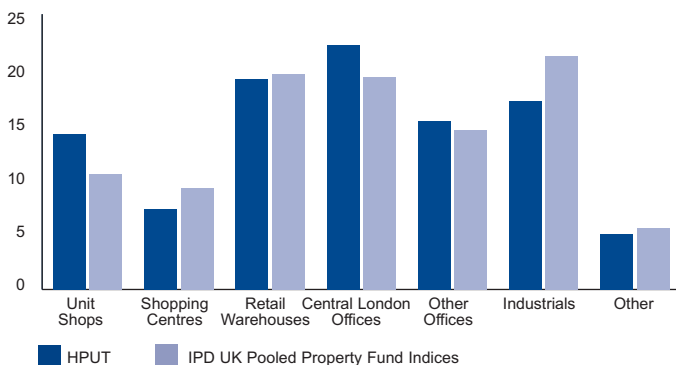
### Disposals

- Carmel House, Sheffield**  
 As reported in our September 2006 Factsheet, the redevelopment of this property was completed last autumn, with all units pre-let to national retailers. This has been a very successful project for the Trust, returning 56% in calendar year 2006. Despite this we felt it appropriate to sell given anticipated relative weakening in unit shop returns nationally. The sale was also timed to take advantage of the poor supply of good quality stock in Sheffield, but ahead of possible competition in this area from the forthcoming Sheffield One city - centre redevelopment scheme. We sold Carmel House in February 2007 to a private buyer for over £31 million.
- St. James Court, Bristol**  
 We have been looking to take advantage of the recent buoyant property market to sell some of the stocks we consider to be

### Portfolio Structure Comparison

As at March 2007

Sector Weighting % total portfolio value



Source: Hermes Real Estate and IPD UK Pooled Property Fund Indices, end March 2007.  
 Note: GAV basis, excluding cash



Guinness Road Trading Estate, Manchester

weaker within the portfolio. This Bristol office is one such asset and we sold it in February for just under £8 million.

### Asset Management

- Maybird Retail Park, Stratford-upon-Avon**  
 An outstanding rent review of the Boots unit from January 2007 has been settled at £25.50 per sq.ft. This has increased the income from this unit from £264,000 per annum to £387,140 per annum and has set a new rental tone for the park.
- Broadway, Bexleyheath**  
 A further rent review has been settled at the Trust's investment in Bexleyheath. The review on the Peacocks unit has been settled at £223,000 per annum, an increase of £58,000 per annum, and is ahead of the level we had anticipated.

### Outlook

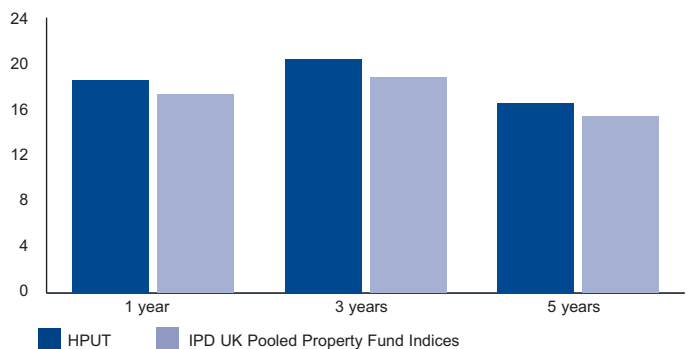
We have been expecting for some time that, following the historically high returns experienced recently from UK commercial property, 2007 will see performance moderate to more sustainable levels, and indeed we have seen benchmark returns slow during Q1 '07. Whilst forecasting further positive returns, we expect this trend to continue, reflecting investors' more realistic assumptions about weaker stocks in less favoured sub-sectors.

However, we believe that opportunities for outperformance remain. At a structural level we favour Central London and South East offices and retail warehouse parks. At a stock level we believe that good selection and effective active management will help to protect income and deliver relatively stronger rental growth. Overall though, real estate will continue to play an important part in the construction of multi-asset portfolios, even within a lower return environment, and we expect ongoing demand for real estate exposure from long term investors.

### Unit Holder Performance

As at March 2007

Unit Holder % Return



Source: Hermes Real Estate and Pooled Property Fund Indices, end March 2007. Net of fees.

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### Key Statistics

As at March 2007

Gross asset value*	<b>£848.2m</b>
Net asset value	<b>£799.8m</b>
Directly held assets	<b>39</b>
Indirect real estate vehicles	<b>6</b>
Offer Price	<b>£6.601</b>
Bid Price	<b>£6.196</b>
Net asset value per unit	<b>£6.275</b>
Number of Unit Holders	<b>135</b>
Distribution per unit (Quarter to March 2007)	<b>6.2p</b>
Distribution per unit (Year to March 2007)	<b>23.1p</b>
Yield on offer price	<b>3.4%</b>
12 Month return to Unit Holders	<b>18.5%</b>
Quarterly return	<b>3.1%</b>
Bid/offer spread	<b>6.1%</b>

\*This is based on net asset value, plus the Trust's share of debt held within indirect investments.  
Source: Hermes - March 2007.

### Top 10 Holdings by Value Band (GAV)

As at March 2007

Asset	Sector	Lot Size
Maybird Centre, Stratford-upon-Avon	Retail Warehouses	£80m to £100m
101 Barbirolli Square, Manchester	Rest of UK Offices	£40m to £80m
Broadway II, Bexleyheath	Unit Shops	£30m to £50m
3-5 Morrison Street & 118 Lothian Road, Edinburgh	Rest of UK Offices	£30m to £50m
7 Bishopsgate, London, EC2	Central London Offices	£30m to £50m
117 Jermyn Street, London SW1	Central London Offices	£30m to £50m
2 Cavendish Square	Central London Offices	£10m to £30m
Fife Leisure Park, Fife	Leisure	£10m to £30m
New Bond Street, Weymouth	Shopping Centre	£10m to £30m
Arcadia, 13 Hays Road, Southall	Industrial	£10m to £30m

Source: Hermes - March 2007.

## The Structure of the Hermes Property Unit Trust

### The Committee of Management

The Committee of Management is the legal operator of the Trust and has delegated the Real Estate and Trust Management to Hermes, from whom it is wholly independent. The Committee is authorised and regulated by the Financial Services Authority. The members of the Committee are as follows:

#### Chairman – David Gamble BCom

Formerly Chief Executive of British Airways Pensions Investment Management and a member of the Investment Committee of the NAPF and NAPF Property Committee. He holds various non-executive directorships and advisory roles including being a trustee of the IBM (UK) Pension Plan, Investment Adviser to the BBC Pension Trust and Non-Executive Director of New Star Asset Management Ltd.

#### Simon Melliss BA FCA

Group Finance Director of Hammerson plc. Simon held senior finance roles at Reed International and Sketchley before joining Hammerson in 1991.

#### Phillip Nelson FRICS

Phillip is a Director of Trehaven Group and its associated companies. Prior to joining Trehaven, Phillip was Chairman of Nelson Bakewell, Property Consultants, the company of which he was also a founding member in 1982. He is also a Trustee of the Investment Property Forum Educational Trust.

### Important Notes for Investors

The Hermes Property Unit Trust is categorised as an unregulated collective investment scheme. The Trust is not authorised, or otherwise approved by the Financial Services Authority (FSA) and, as an unregulated scheme, cannot be marketed to the general public in the UK. For the avoidance of doubt, any offer or promotion of units in the Trust is not directed at private customers. Pursuant to the Financial Services and Markets Act 2000 (the "Act"), the only categories of persons in the UK to whom this document may be distributed are those set out in the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 and the FSA Handbook. The transmission of this document to any other person in the UK is unauthorised and may contravene the Act. Additionally units in the Trust may only be held by funds which are exempted from capital gains tax. Nothing in this document should be construed as investment advice.

This communication is issued and approved (for the purposes of section 21 of the Financial Services and Markets Act 2000) by Hermes Investment Management Limited ("HIML"). HIML has its registered office at Lloyds Chambers, 1 Portsoken Street, London E1 8HZ.

Units in the Trust are not within the wider or narrower range of investments under the Trustee Investments Act 1961.

Investors must satisfy themselves that they have adequate investment powers and should note that units in the Trust constitute an investment which is not readily realisable for the purposes of the FSA rules.

In order to comply with the Financial Services and Markets Act 2000 (Promotion of Collective Investment Scheme) (Exemptions) Order 2001 and the FSA Handbook, when offering units in the Trust to smaller Exempt Funds, typically those with assets under £10m, special care should be taken to ensure that an investment in the Trust is suitable and information should be sought regarding the applicant's circumstances and investment objectives.

For enquiries contact:

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### Phillip Rose MA (Law)

Chief Executive Officer of Alpha Real Capital and Non-Executive Director of Great Portland Estates plc. Phillip was previously Head of Real Estate at ABN Amro. His investment career includes Morgan Grenfell, Ord Minnett Securities, TrizecHahn Europe and Lend Lease Global Investments Ltd.

### Caroline Burton MA

Formerly Executive Director of Investments, Guardian Royal Exchange PLC and member of HM Treasury Productivity Improvement Panel. Caroline is currently an investment advisor to a number of local authority pension funds and holds non-executive positions at TR Property Investment Trust and Teesland Advantage Property Income Trust. She has been a member of the Committee of Management since February 2005.

### About Hermes

Hermes Real Estate Investment Management is the dedicated real estate subsidiary of Hermes Pensions Management Limited (HPML). With assets of over £70 billion (at 31 March 2007), HPML is wholly owned by the largest pension scheme in the UK, the BT Pension Scheme, giving its real estate investment perspective a unique alignment with other long-term investors.

Hermes Real Estate is one of the largest real estate managers in the UK, with c.£12.0 billion of gross assets under management (at 31 March 2007). With effect from January 2001, Hermes was appointed by the independent Committee of Management as the Real Estate and Trust Manager.

The main aim of the Trust is to generate, for its unitholders, a combination of capital appreciation and income from real estate assets.

Investors are reminded that as the value of the investments may fluctuate in price and the income from units may go down as well as up and there is no assurance that investors will get back the amount invested. Past performance is not necessarily a guide to future returns.

Real estate valuation is based on a valuer's opinion.

While units in the Trust may ordinarily be redeemed, investors should be aware that the Committee of Management has the right to defer the operation of any redemption notice in the circumstances listed in the section on "Disposal of Units by Redemption", and in such circumstances investors may not be able to readily realise their investment.

Units in the Trust are intended to represent a medium to long term investment and should not be regarded as a short term holding. The Trust is not an authorised unit trust scheme for the purposes of the Financial Services and Markets Act 2000 and the Income and Corporation Taxes Act 1988.

The Trust is constituted by an amended and restated trust deed (the "Trust Deed") between the Committee of Management and the Trustee. The Trust Deed ensures control by the unitholders through their power to appoint the members of the Committee of Management. The Committee of Management may, subject to the approval of unitholders, remove the Trustee. Copies of the Trust Deed may be inspected or obtained from the offices of the Trust Manager at a price not exceeding £10 per copy.

All figures, unless otherwise stated, are sourced from Hermes.

Details regarding the purchase, redemption and transfer of units can be found on our website: [www.hpunit.co.uk](http://www.hpunit.co.uk)

