

# Hermes Property Unit Trust

## Quarterly Update - June 2007

### Overview

In last quarter's Factsheet we noted the moderation in returns taking place in the UK commercial real estate market. This trend has continued into the second quarter reflecting a general cooling in investor sentiment during the latter part of June and into July.

As such, and with the approval of the Committee of Management, we have shifted the emphasis of the Trust's investment strategy, moving more defensively in order to protect investor returns and to create the capacity for more advantageous investment in the medium term. Broadly these changes will mean that the Trust will look to carry a higher proportion of cash within its overall portfolio in the short term and continue to be highly selective in its purchasing activity.

### Performance

During the three months to the end of June, the Trust recorded a unit holder return of 2.0%, slightly behind the benchmark return of 2.4%. Building on the Trust's strong relative return during the first quarter, the Trust was ahead of benchmark for the first six months of 2007, with a unit holder return of 5.2% against a benchmark return of 5.1%.

	Q2 2007 (%)	1 year (%)	3 years (% p.a)**	5 years (% p.a)**
HPUT	2.0	15.7	19.1	16.5
Benchmark*	2.4	13.8	17.7	15.3
Relative	-0.4	1.7	1.2	1.0
Quartile	3	1	1	1

\*IPD UK Balanced PUT (Weighted average). \*\*Years to June 2007.

The Trust maintains its strong performance on a three and five year basis as described in the table, and retains its position as the top performing fund within its peer group on a five year basis.

### Transactional Activity

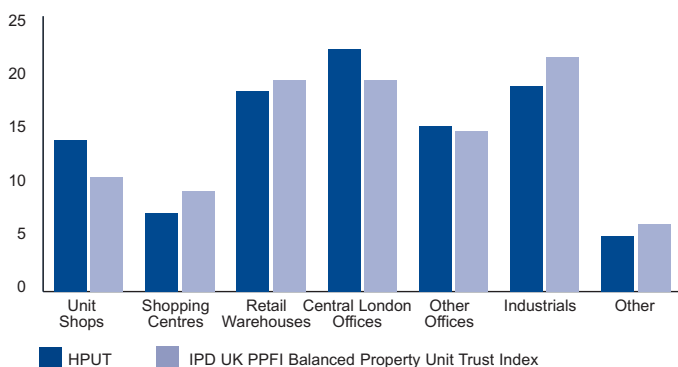
During the second quarter, the Trust acquired one asset for £24.2 million. The Charlton Gate Business Park in South East London is a modern, multi-let industrial estate in a part of London that has undergone significant renewal in recent years and which is expected to benefit from the continued economic growth in the capital's eastern boroughs.

After the quarter end the Trust also completed the purchase of a Waitrose-anchored retail investment in Caversham, Reading. An update will be included in the next quarterly Factsheet.

### Portfolio Structure Comparison

As at June 2007

Sector Weighting % total portfolio value



Source: Hermes Real Estate and IPD UK Pooled Property Fund Indices, end June 2007.  
Note: GAV basis, re-weighted to exclude cash



Charlton Gate, South East London.

Following the end of the second quarter, and in response to changing market conditions, we enacted two strategic shifts. First, the Trust further reduced its already modest level of gearing through the repayment of debt within the Hermes Factory Outlet portfolio. This takes the Trust's debt ratio to less than 4% on a loan-to-value basis. Second, the Trust has contracted to sell a significant asset within the unit shop portfolio at a good premium to valuation.

### Outlook

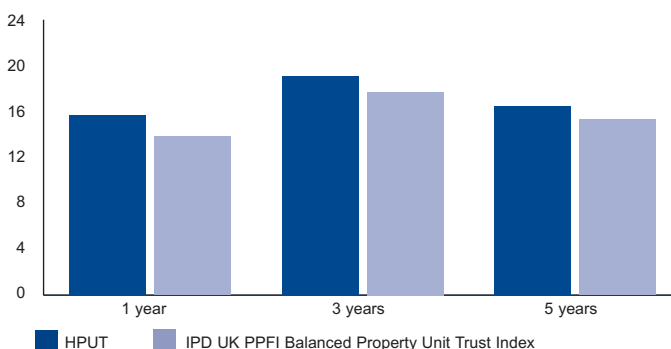
As stated earlier, investment market sentiment has cooled in recent weeks, set against a background of increasing interest rates and a perception that after the strong capital growth of recent years, the UK real estate market is fully priced. Capital values of more secondary investments within the retail, office and industrial sub-sectors are coming under pressure, reflecting greater investor caution. It should become clear during the Autumn whether this shift in sentiment has extended to also impact better quality investments.

We believe that the HPUT portfolio is well structured to continue to provide relative outperformance for investors despite more difficult market conditions. This is achieved through its diversified portfolio of good quality, well-let investments and its focused management. We will continue to keep investors fully informed over coming months.

### Unit Holder Performance

As at June 2007

Unit Holder % Return



Source: Hermes Real Estate and IPD UK PPFI, end June 2007. Net of fees.

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### Key Statistics

As at June 2007

Gross asset value*	<b>£902.4m</b>
Net asset value	<b>£854.6m</b>
Directly held assets	<b>39</b>
Indirect real estate vehicles	<b>6</b>
Offer Price	<b>£6.663</b>
Bid Price	<b>£6.263</b>
Net asset value per unit	<b>£6.342</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>3.5%</b>
12 Month return to Unit Holders	<b>15.7%</b>
Quarterly return	<b>2.0%</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 - June 2007.

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

As at June 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	£40m to £80m
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, London W1	Central London Offices	£30m to £50m
Fife Leisure Park, Fife	Leisure	£10m to £30m
Charlton Gate, London SE	Industrial	£10m to £30m
New Bond Street, Weymouth	Shopping Centre	£10m to £30m

Source: Hermes - June 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 30 June 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 in excess of £12 billion of gross assets under management (at 30 June 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 unit holders, 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 unit holders through their power to appoint the members of the Committee of Management. The Committee of Management may, subject to the approval of unit holders, 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.hput.co.uk](http://www.hput.co.uk)

