



Hermes Property Unit Trust (HPUT)

Presentation to the City of Westminster Council Superannuation Fund
19 November 2013

Chris Mathew
Fund Director, HPUT

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Client Relations

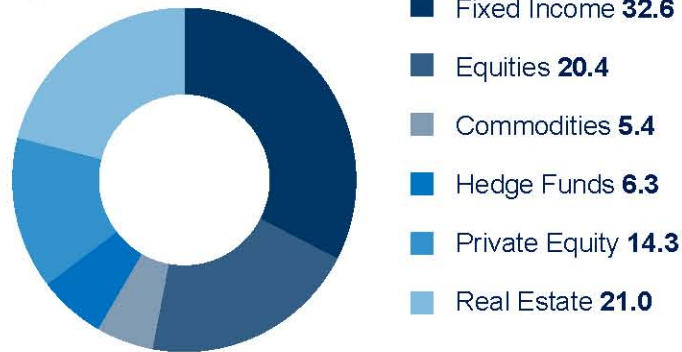


For professional investors only

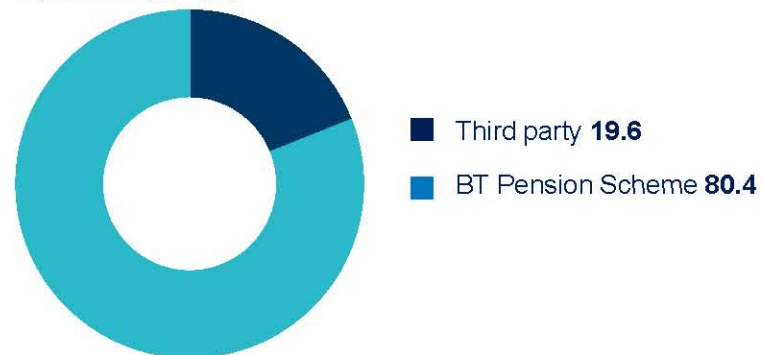
Hermes Fund Managers overview

Established	1983
Owner	BT Pension Scheme (BTPS)
Head Office	London
Other Offices	Boston, New York, Sydney and Singapore
No. of Boutiques	14
Assets under Management	£24.9bn ¹
Assets under Stewardship	£115bn
No. of Investment Professionals	132

AuM breakdown by asset type (%)

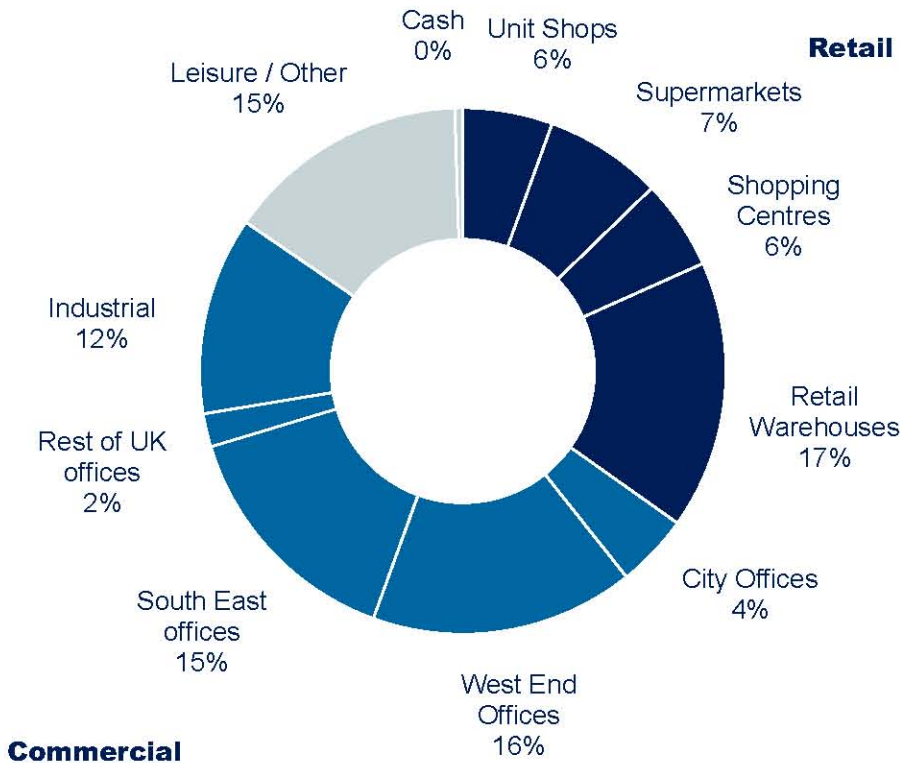


AuM breakdown by client type (%)



¹Please note the total AuM figure includes £2.7bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £0.4bn of total group AuM figure represents HFM mandates under advice.
Source: Hermes as at 30 June 2013.

Portfolio summary as at September 2013



Key facts

- Portfolio value: NAV - £843m, GAV – £843m
- Direct – 100% vs. indirect – 0%
- Commercial – 50%, retail – 35%, other – 15%, cash – 0%
- 91 direct holdings, 0 indirect holdings
- Gearing – 0.0% (LTV of GAV)
- Income security – 29.5 % of contracted rent in place for greater than 10 years
- Development exposure – no material exposure
- Void 4.0% in direct portfolio
- Distribution yield – yield on NAV 5.4%
- Property portfolio initial yield 6.2%
- Number of unit holders – 130
- Bid/offer spread – 6.1%

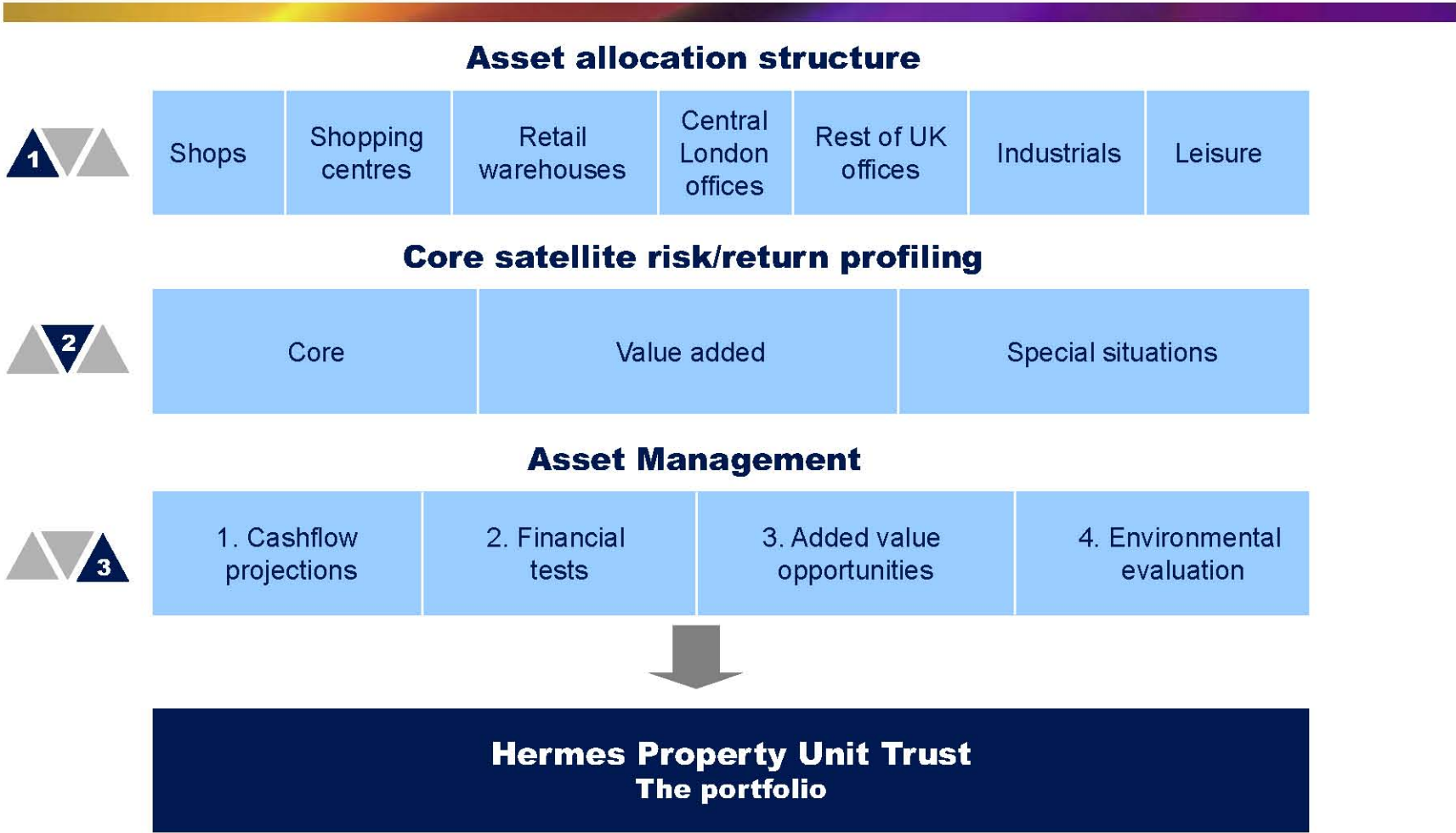
Source: HREIM, end September 2013.

Hermes Property Unit Trust team



- Integrated investment and asset management team, which draws on the wider resources of the real estate team with appropriate compliance and marketing support from the relevant teams in Hermes
- Dedicated team of five investment professionals with over 17 years average industry experience
- Hermes acts as Trust Manager, undertakes all portfolio and risk management activities
- Hermes appointed by the Appointments Committee to act with wide discretion in the management of the Trust. Hermes is accountable for investment performance

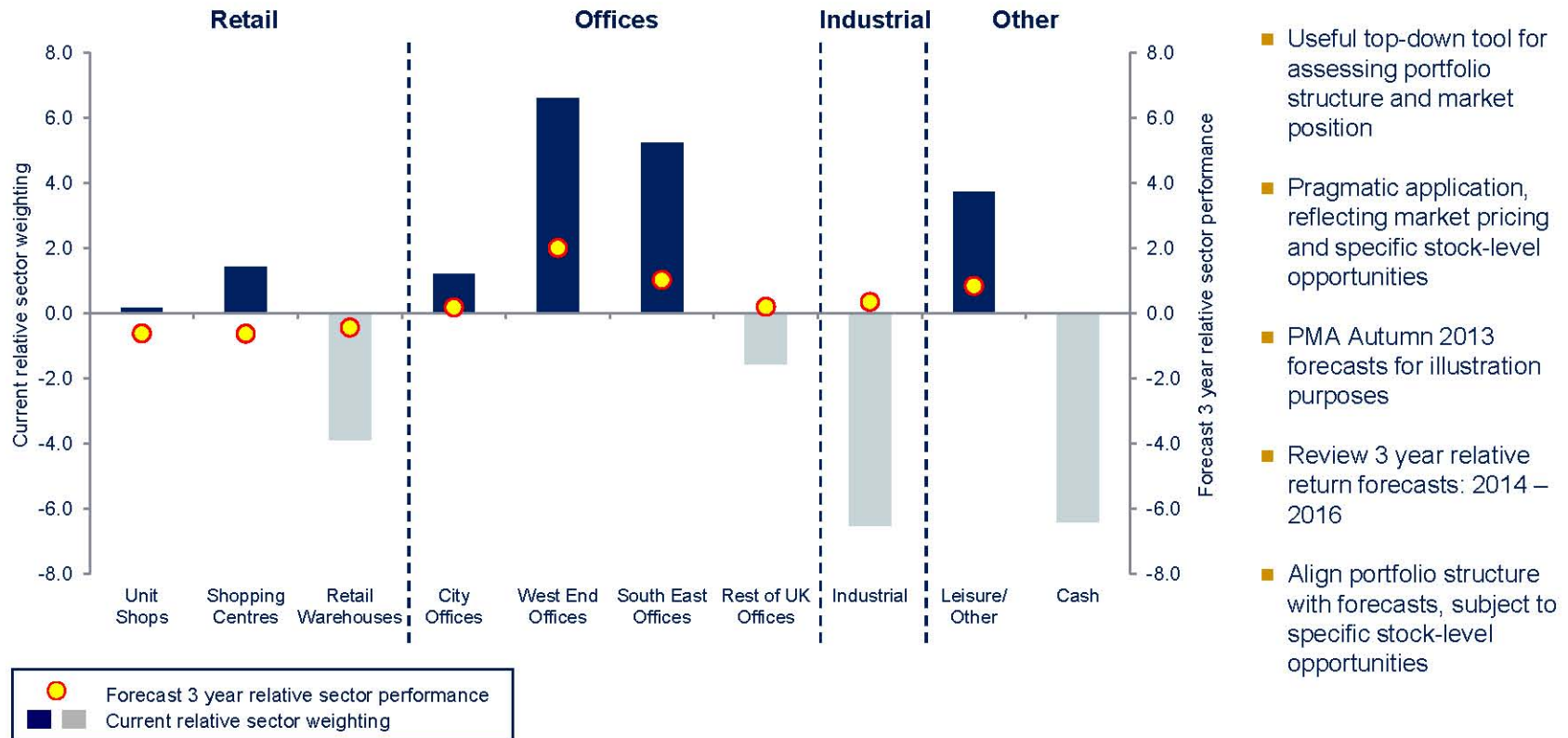
Our three step investment process



Balanced approach, setting asset allocation

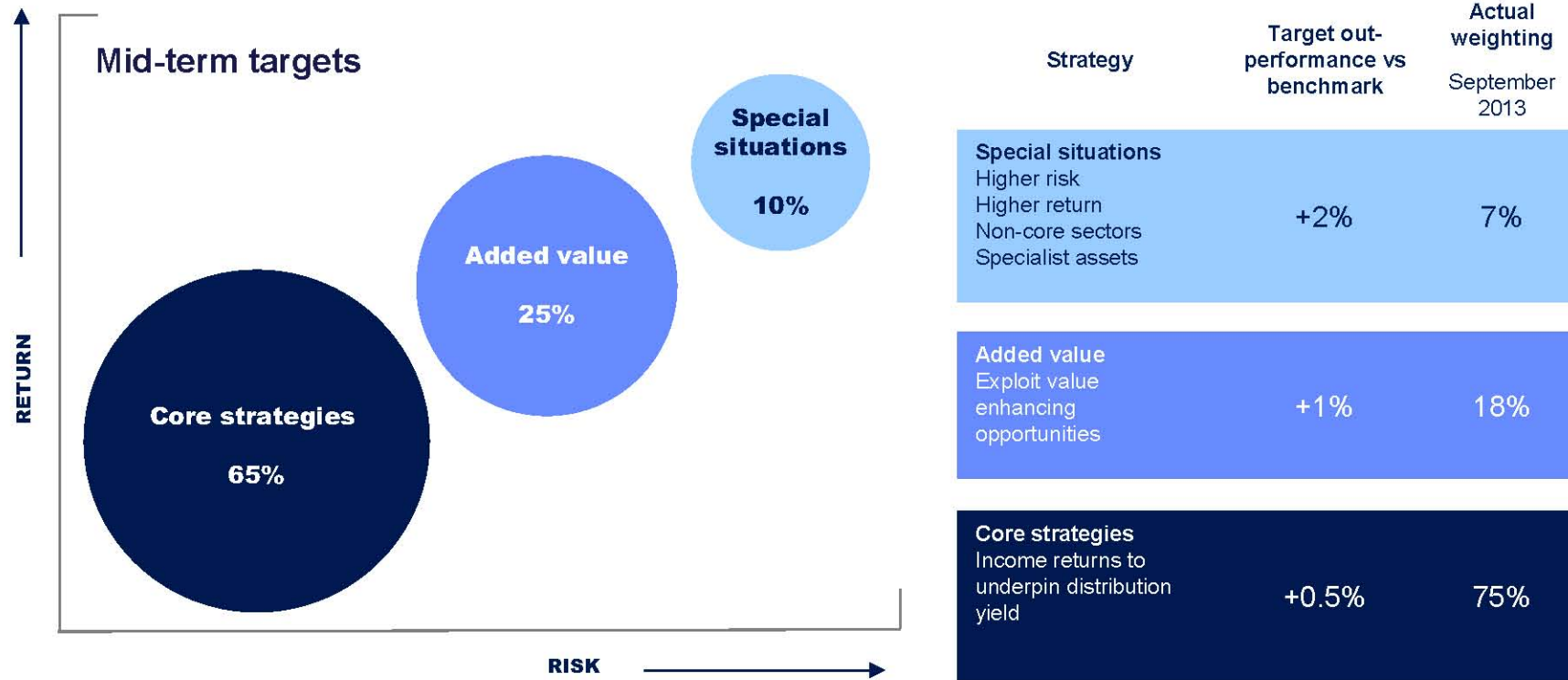


HPUT sector weightings relative to benchmark – end September 2013 (%)



The Benchmark is the IPD UK PPF1 other balanced property funds unit trust index. Weightings based on GAV.
 Source: HREIM and IPD end September 2013 and PMA Autumn 2013, Main Scenario. Forecasts cannot be guaranteed.

Core/satellite approach to deliver optimum risk/return

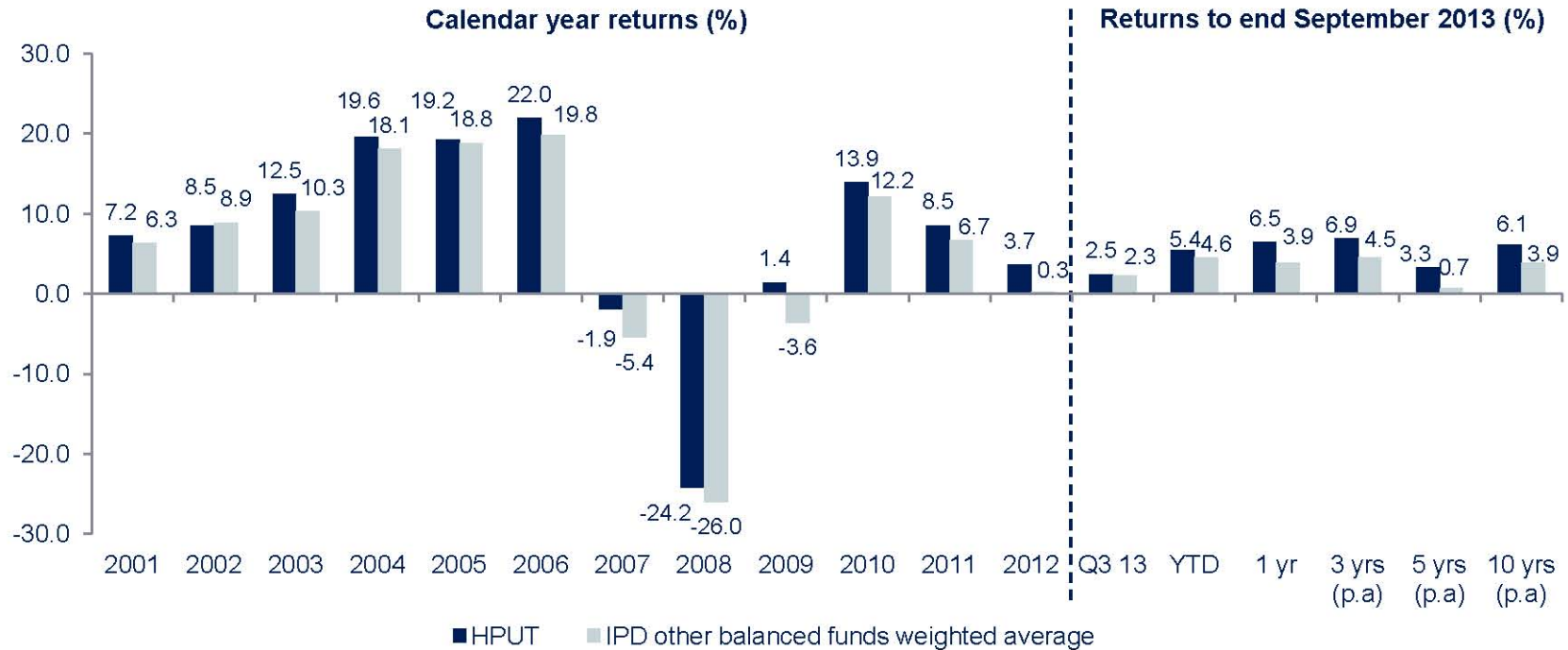


A combination of core and higher risk opportunities aiming to deliver outperformance

Source: HREIM, end September 2013.

Hermes Property Unit Trust

Performance



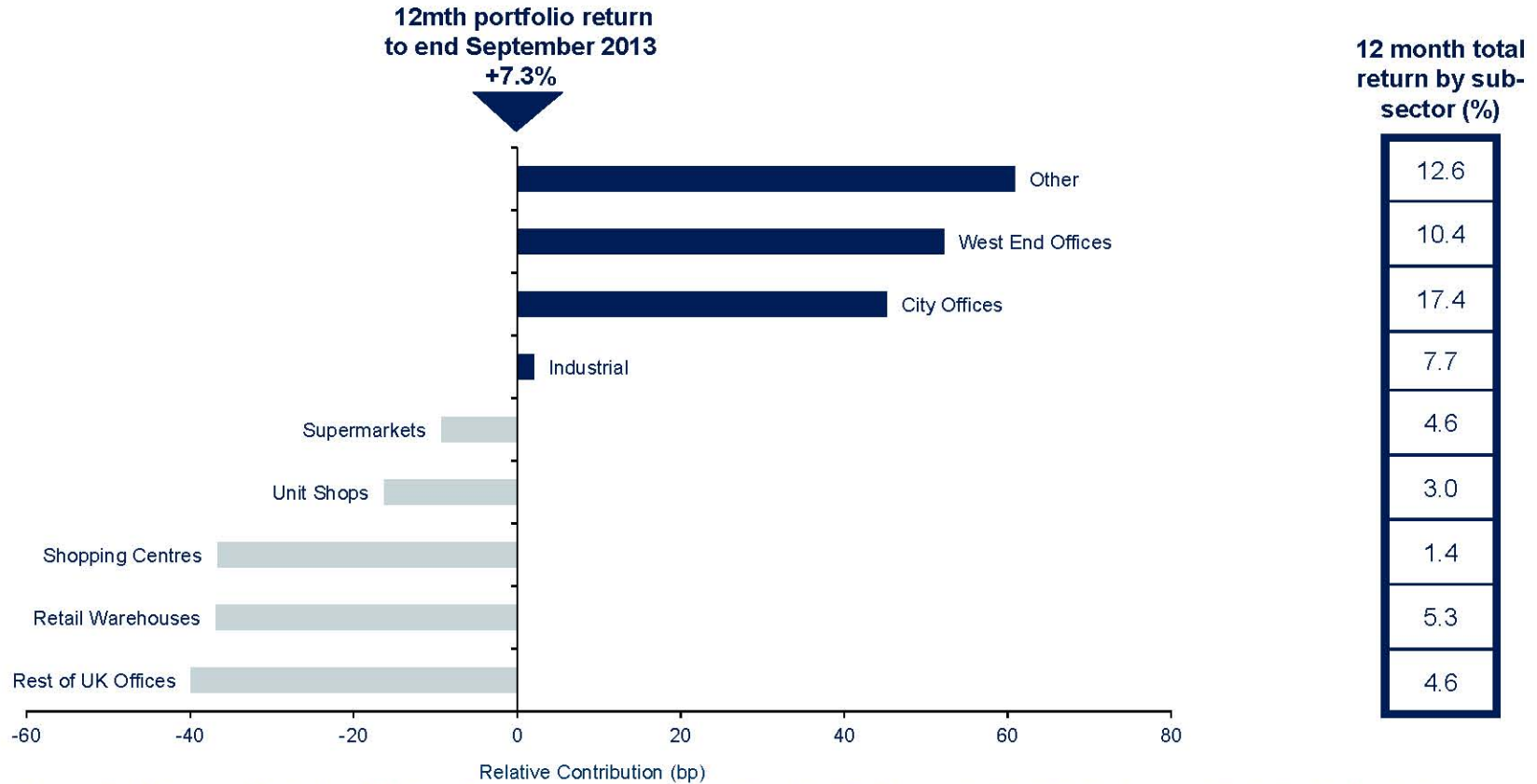
Relative (%)	+0.8	-0.4	+2.0	+1.3	+0.3	+1.8	+3.7	+2.4	+5.2	+1.5	+1.7	+3.4	+0.2	+0.8	+2.5	+2.3	+2.6	+2.1
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Strong consistent long-term outperformance

Source: IPD UK Pooled Property Fund Indices. Returns quoted are net of fees.
Past performance is not a reliable guide to future performance.

Key return drivers – structure

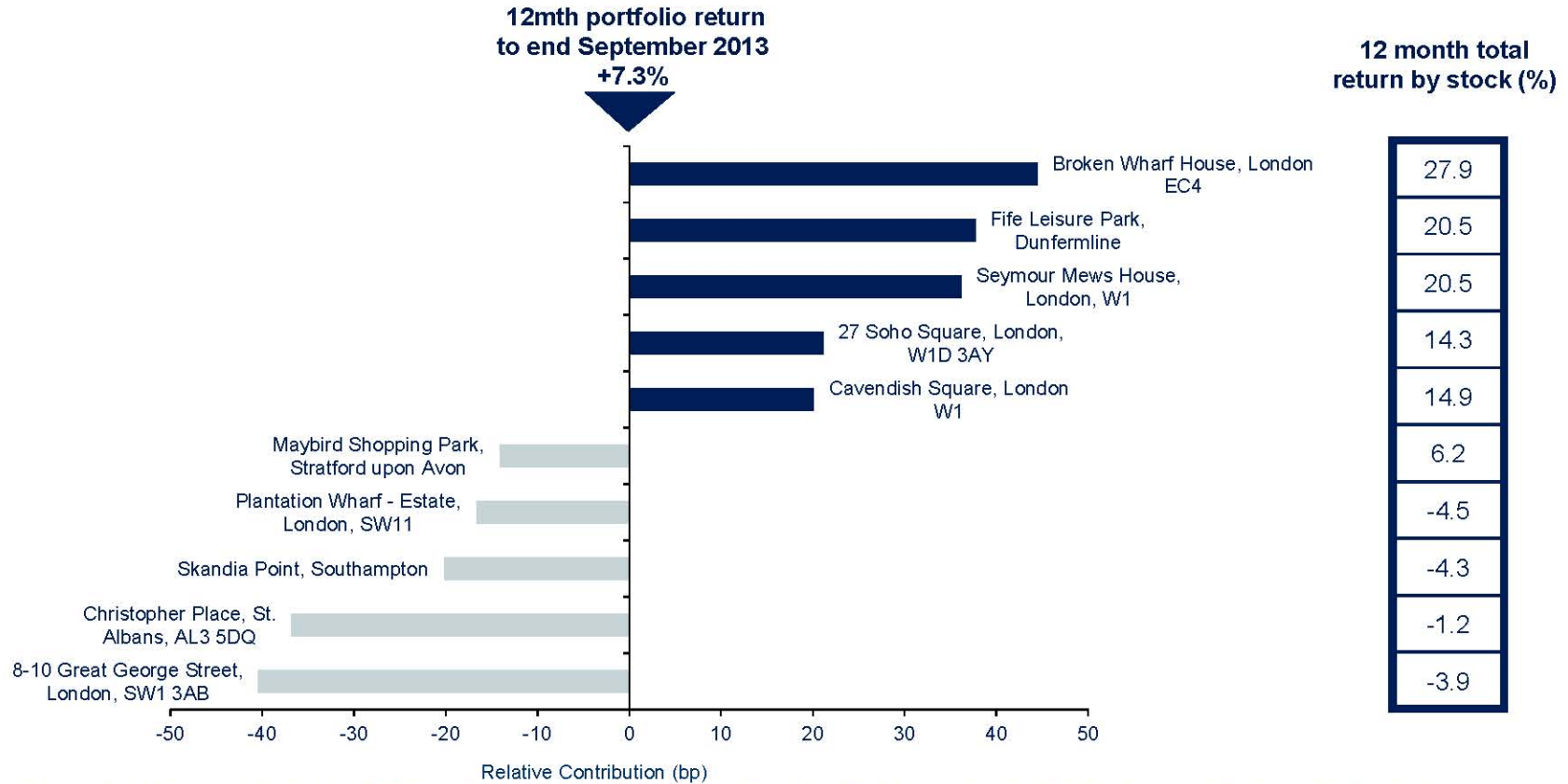
Weighted contribution of sub-sectors relative to total HPUT portfolio return



Source: Hermes Real Estate, end September 2013, these figures are provisional until confirmed by IPD. Please note: this attribution data is relative to the total fund return (including impact of cash and debt) and is not relative to the benchmark. Returns quoted are estimated and gross of fees.

Key return drivers – stock

Weighted contribution of assets relative to total HPUT portfolio return – top and bottom 5 property assets



Source: Hermes Real Estate, end September 2013, these figures are provisional until confirmed by IPD. Please note: this attribution data is relative to the total fund return (including impact of cash and debt) and is not relative to the benchmark. Returns quoted are estimated and gross of fees.



Portfolio activity



Portfolio activity – acquisitions



8-10 Great George Street, London SW1

- Strategy: Core
- Date: May 2013
- Price: £42.6 million, reflecting an initial yield of 4.7%
- Rationale for acquisition: Well secured freehold West End multi-let office building let at a rental level offering good medium term rental growth prospects



Plantation Wharf, Battersea, London SW1

- Strategy: Opportunistic
- Date: July 2013
- Price: £20 million, reflecting an initial yield of 6.85%
- Rationale for acquisition: Mixed use development located on a prime riverside site in Battersea, South London. Works well as an office investment, but benefits strong upside potential from a change of use to residential through existing planning consent and permitted development options. The Thames River Taxi (Thames Clippers) will serve the property from 2014 following construction of a new pontoon which will be adjacent to the investment

Portfolio activity – acquisitions



Great George Street, Bristol

- Strategy: Opportunistic
- Date: August 2013
- Price: £9.15 million reflecting an initial yield of 10.5%
- Rationale for acquisition: Well configured office building located in Clifton. Let to PwC until September 2015. Base case assumes a refurbishment for offices, but opportunity for change of use to residential



Thomas Road Industrial Estate, London E14

- Strategy: Core
- Date: September 2013
- Price: £7.2 million, reflecting an initial yield of 7.0%
- Rationale for acquisition: Greater London Industrial Estate that provides good sized units for local occupier demand, in an area with a steadily decreasing supply of competing stock in East London, supporting good short to medium term rental growth prospects

Portfolio activity – disposals



Fife Leisure Park

- Strategy: Core
- Date: October 2013. Part of purchase price has been deferred until end-December 2013
- Price: £26 million reflecting a yield of 6.5%
- Rationale for sale: Decreasing lease term likely to impact on capital value over medium term. Concerns over tenants covenants



New Bond Street, Weymouth

- Strategy: Core
- Date: October 2013
- Price: £15.05 million (50% interest) reflecting a yield of 7.5%
- Rationale for sale: Sale of JV. At property level, concerns over the relatively high rental tone for this location

Asset management – example



Regency House, Warwick Street, London W1

- Strategy: Core
- Date: October 2012
- Price: Freehold purchase for £16 million (capital value of c.£700 per sq.ft), reflecting an initial yield of 4.5%
- Acquisition Rationale: West End multi-tenanted office building in prominent corner position within sight of Regent Street. The immediate area is improving with significant investment in the public realm from the Crown Estate. The property itself is well configured, and will provide good opportunities for refurbishment and potentially change of use
- Asset management initiatives. Planning consent granted end-September 2013 for change of use to residential



Outlook and strategy



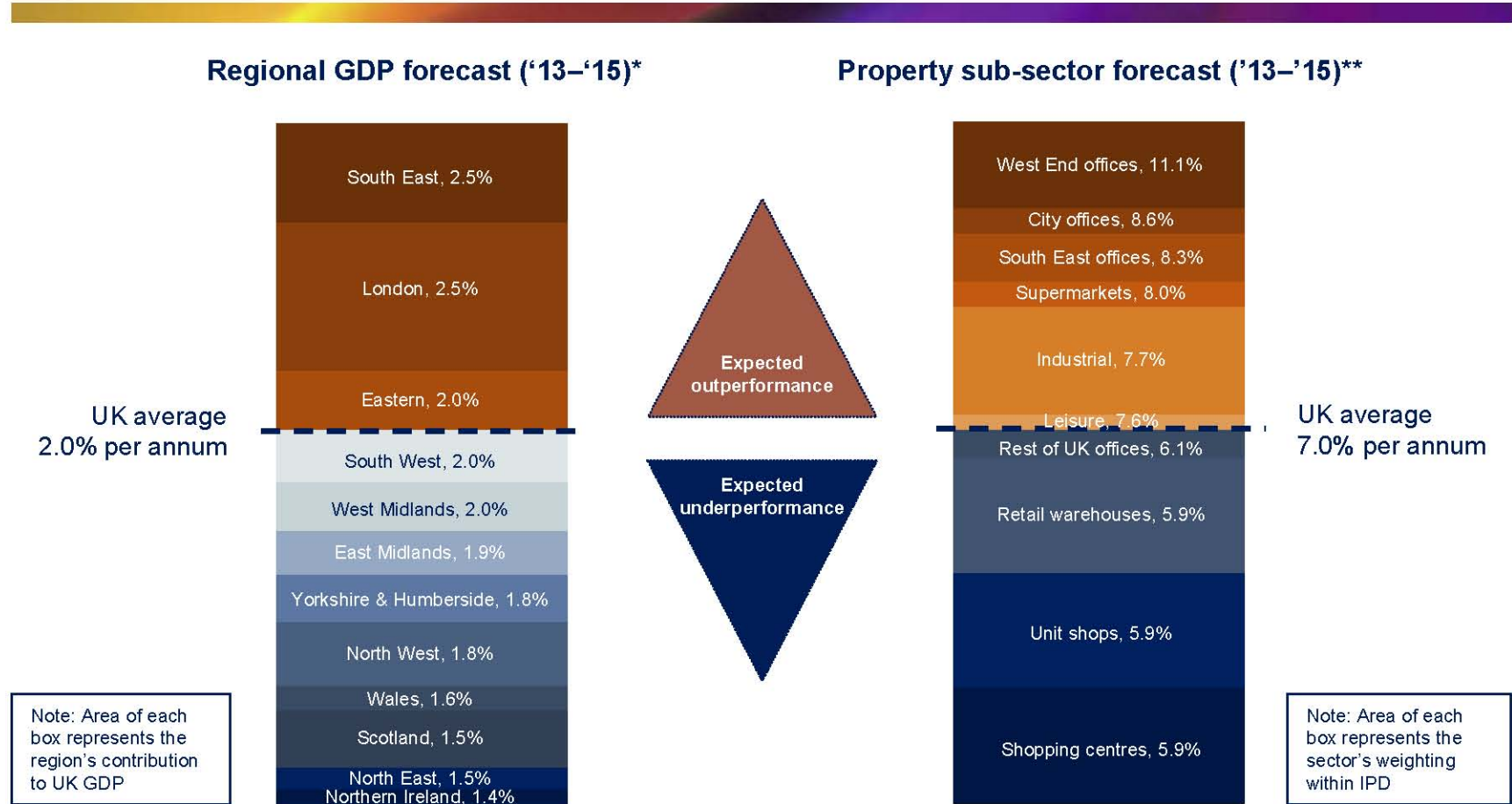
Property market outlook

	June 01 – 06	June 2007	June 2009	June 2010	June 2011	June 2012	End September 2013
All property (initial yield)	6.2%	4.6%	7.9%	6.5%	6.3%	6.3%	6.3%
Yield gap*		Peak	Trough				
5 year swap	+1.1%	-1.7%	+4.2%	+4.1%	+3.8%	+5.0%	+4.5%
10 year gilt	+1.5%	-0.9%	+4.2%	+3.2%	+2.9%	+4.5%	+3.5%

- Property yields have moved very little since June 2011, whilst interest rates have continued to fall. Therefore, the yield spread has increased
- At August 2013 capital values in commercial real estate are on average 37% below the peak of the market in June 2007
- General investor caution about the underlying health of the UK economy is likely to see a continuation of a low interest rate environment for some time to come
- Investors, particularly international investors, still favour prime and Central London. But re-pricing of secondary assets is now beginning to attract some investors

Source: IPD and Bloomberg as at end September 2013. *Relative to the All Property Initial Yield.

Regional economic and sub-sector forecasts



*Source: Oxford Economics as at September 2013. **Source: PMA Autumn 2013.

Positioning and features



Portfolio positioning

- High quality and diversified investment portfolio with strong lease and tenant profile
- Portfolio emphasis towards London and South East of England
- No gearing
- Robust management of cash

Differentiating features

- Excellent consistent long-term performance track record
- Focus on investment performance rather than AuM growth
- Fee structure aligns manager remuneration with investor returns
- Oversight from the independent Appointments Committee

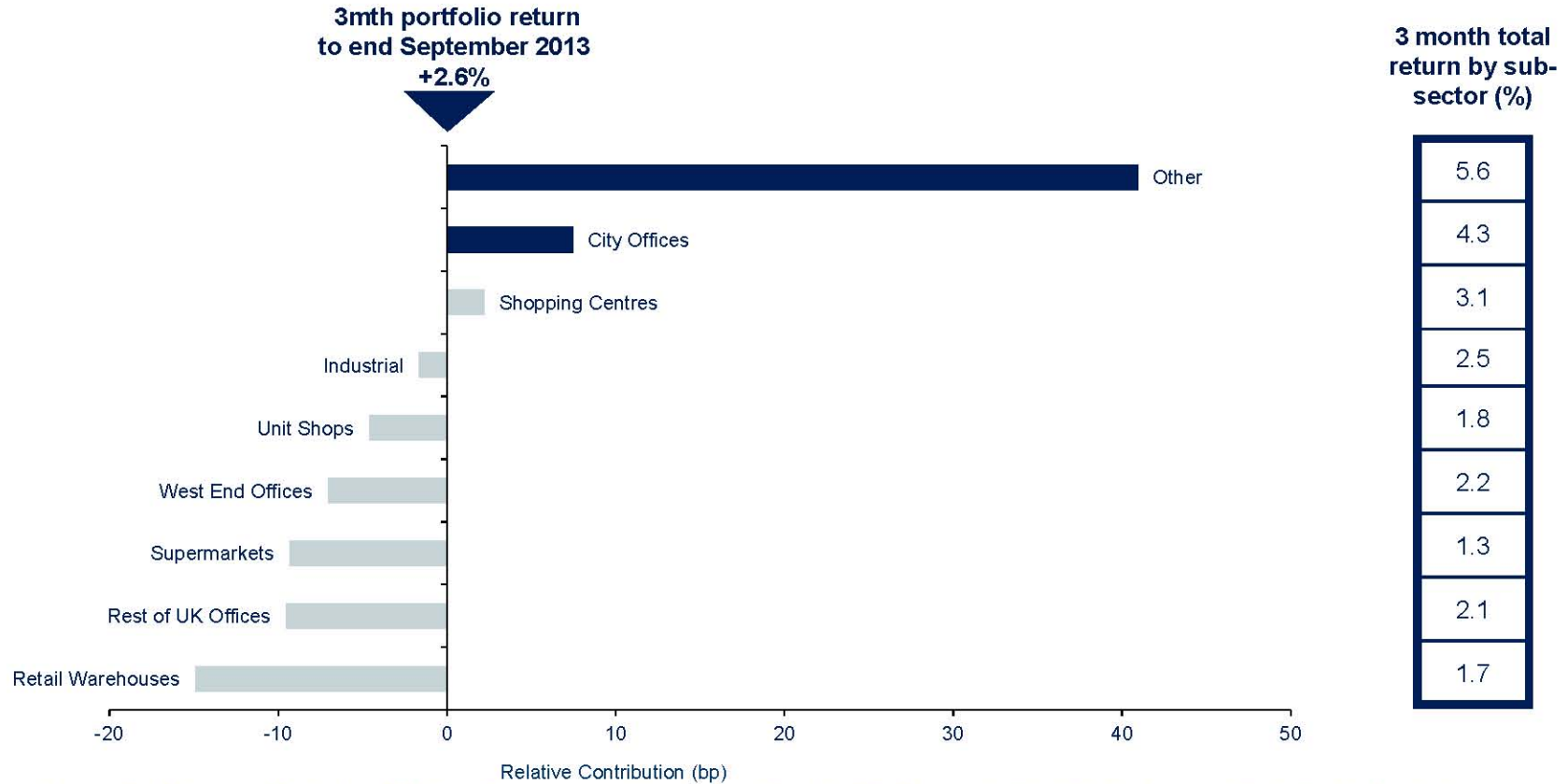
Past performance is not a reliable indicator of future results

Appendices



Key return drivers – structure

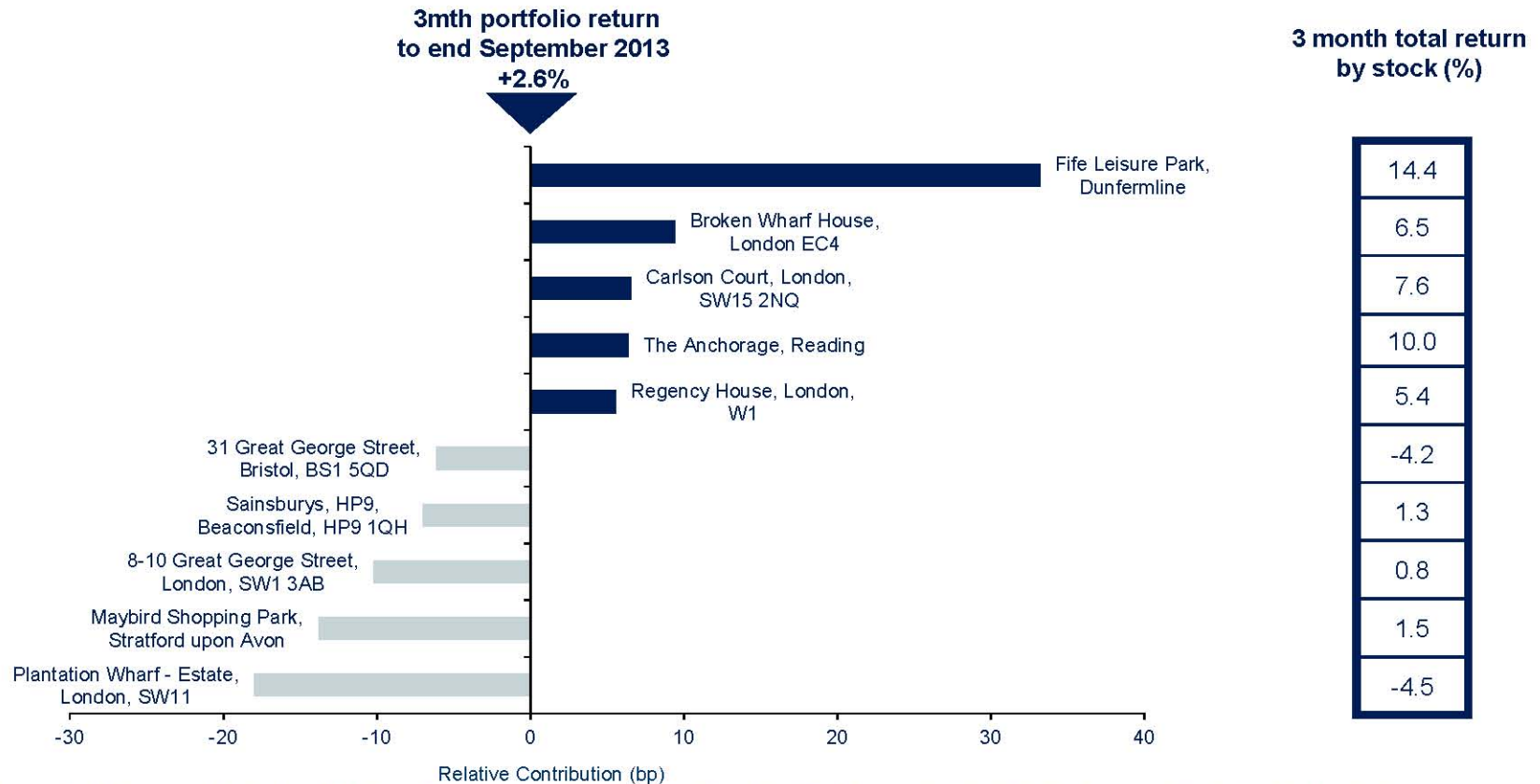
Weighted contribution of sub-sectors relative to total HPUT portfolio return



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Key return drivers – stock

Weighted contribution of assets relative to total HPUT portfolio return – top and bottom 5 property assets



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Top 10 directly held assets

Direct assets	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	93.8
Great George Street, London	West End Offices	42.6
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	39.8
Christopher Place, St Albans	Shopping Centres	31.6
27 Soho Square, London, W1D 3QR	West End Offices	27.0
Fife Leisure Park, Dunfermline	Leisure/Other	26.0
2 Cavendish Square, London W1	West End Offices	23.8
Hythe House, Hammersmith	Standard Offices SE	21.6
Sainsbury's, Priors Road, Cheltenham	Supermarkets	21.3
Broken Wharf House, London	City Offices	21.0
		Total (GAV) £348.4

Source: Knight Frank valuation & HREIM end September 2013.

Risk controls



Investment restrictions

- 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*
- Development – exposure to be no more than 10% of gross asset value
- Cash – usually no more than 10% of gross asset value
- 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

Other risk controls

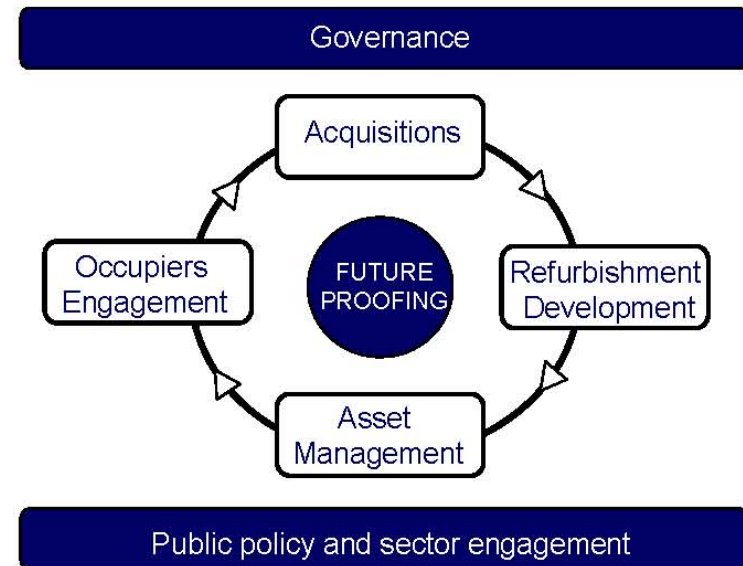
- External valuers and auditors appointed by the Appointments Committee
- All new purchases subject to building surveys, environmental audits and flood risk assessments
- All existing assets subject to energy performance rating and flood assessment

Investment constraints agreed with, and monitored by the HPUT Committee

*Please note these are investment restrictions as set out in the Trust Deed. These may not reflect the particular strategy of the fund.

Responsible Property Investment (RPI)

- Responsible property investment policy and strategy
- Comprehensive RPI programme embedded across asset and investment management practices
- Focus on 'future proofing' through the measurement and ongoing improvement of individual assets
- Applied pragmatically to maximise investment returns to investors – importantly not an 'at any cost' approach
- Awards
 - HPUT awarded a Green Star in the Global Real Estate Sustainability Benchmark (GRESB) 2012
 - HPUT ranked 2nd of the 35 UK non listed diversified funds by GRESB 2012
 - Mayor of London Gold Portfolio Award 2010
- Thought leadership initiatives
 - Measurement: Global reporting initiative real estate sector supplement (GRI CRESS)
 - Risk to value: Sustainable investment in real estate (SIRE)



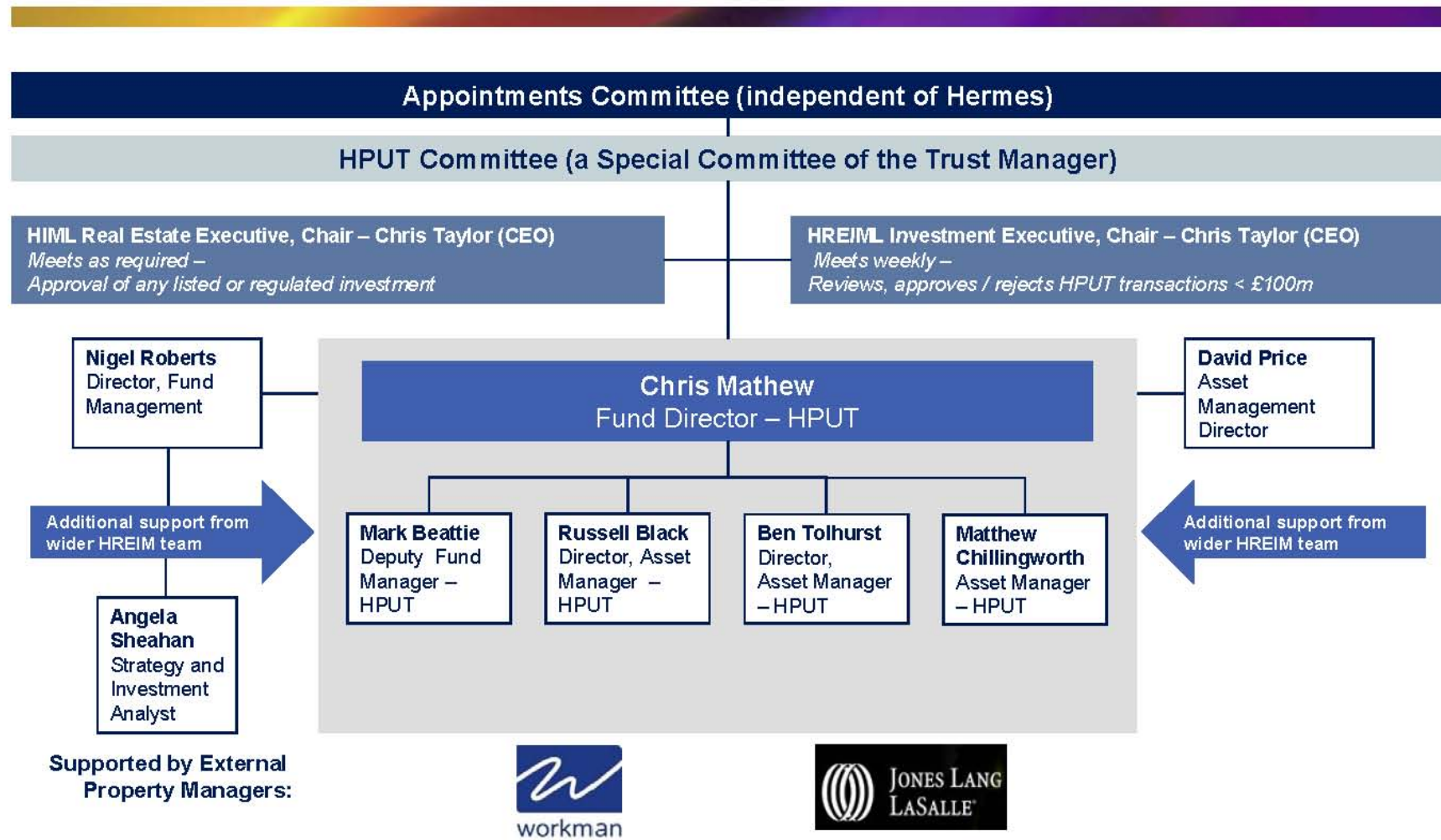
Capital value and income summary to end September 2013

Directly held properties

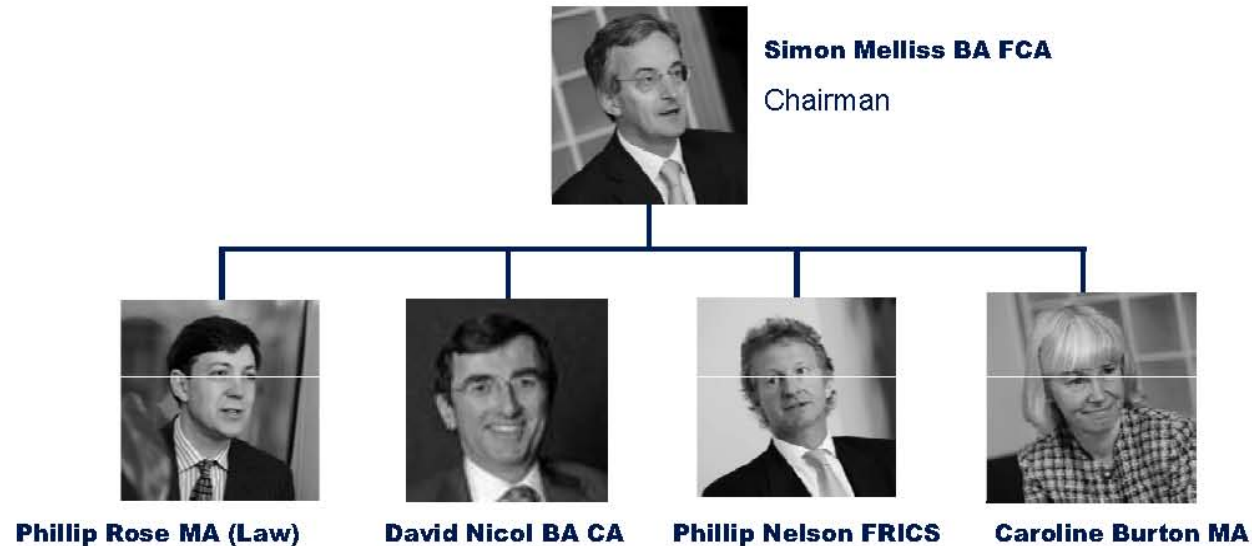
	Valuation (£m)	Net income (£m)	Initial yield (%)	ERV (£m)	Rev yield (%)
Unit shops	46.5	3.2	6.4	3.3	6.6
Supermarkets	61.1	3.2	4.9	3.2	4.9
Shopping centres	46.7	3.3	6.7	3.4	6.8
Retail warehouses	139.3	9.4	6.4	9.1	6.2
Offices	316.7	20.3	6.1	23.8	7.1
Industrials	102.6	7.6	7.0	8.1	7.4
Leisure/other	99.5	6.3	5.9	6.0	5.7
Total	812.2	53.2	6.2	56.7	6.6

Source: HREIM, end September 2013.

HPUT management structure



Appointments Committee



- Appointments Committee independent of Hermes and appointed by the unit holders
- Monitors the performance of the Trust Manager and the Trustees
- The performance of the Trust rests with Hermes and is monitored by the Appointments Committee in a non-executive capacity on behalf of investors
- Experience – significant breadth and depth
- The HPUT Committee has been established as a special Committee of Hermes to comply with AIFMD. The HPUT Committee provides the necessary risk oversight of the Trust. Only the members of the Appointments Committee may be members of the HPUT Committee

From 22 July 2013.

Appointments Committee



Chairman – Simon Melliss BA FCA

Simon retired from his role as Group Finance Director of Hammerson plc in July 2011 after twenty years with the company. He is a non-executive director of Whitbread plc and a member of Council and Treasurer at University College London.

Phillip Nelson BSc (Hons)

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.

Caroline Burton MA

Formerly Executive Director of Investments, Guardian Royal Exchange plc, Caroline is currently an investment advisor to a number of local authority pension funds and holds non-executive positions at LV= and TR Property Investment Trust.

Phillip Rose MA (Law)

Phillip has over 30 years experience in the real estate, funds management and banking industries in Europe, the USA and Australasia. He has been the Head of Real Estate for ABN AMRO Bank, Chief Operating Officer of European shopping centre investor and developer TrizecHahn Europe and Managing Director of Lend Lease Global Investment. He was previously a non-executive director of Great Portland Estates plc.

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, on the board of the Chartered Institute for Securities & Investment and a member of the Council of ICAS.

Important information

This document is for Professional Investors in the United Kingdom only. Any investment products referred to in this document are only available to such clients. Investing with Hermes may be restricted in other countries and as such, any person who receives this document is required to make themselves aware of their respective jurisdictions and observe any restrictions.

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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 Investment Management Limited (“HIML”), 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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