



Responsible Property Investing

2016 Annual Report



CEO Message and Highlights



Welcome,

At Hampshire Real Estate, the past year was one of significant growth and transition, and we are proud of our many accomplishments. As you will see in this report, we are particularly excited about progress in developing and executing our Responsible Property Investing (RPI) efforts. Hampshire has long emphasized the perspective of *real estate through a different lens*, and we are now applying this view into our consolidated and organized RPI efforts as the “Hampshire RPI Prism.”

These initiatives build on the work our team conducted in 2015 to strengthen our foundation and abilities as fiduciaries, and be good stewards of the Environment and to the principles of Social Outreach & Governance (“ESG”). We have taken numerous steps in integrating our organizational structure, such as bringing property management in-house and forming an RPI Committee. In doing so, we are better positioned to build value through the incorporation of ESG factors into our real estate strategies.

All of this is consistent with our “In-service” mindset, our desire to provide greater transparency and communicate performance, and our culture oriented around meeting and exceeding the expectations of our stakeholders.

Thank you, on behalf of the Hampshire Team,

A handwritten signature in black ink, appearing to read 'James E. Hanson II'.



James E. Hanson II

President and CEO

The Hampshire Companies



Responsible Property Investing

Expanding the Platform



Who are we?



We are a real estate operating company, offering a diversified investment platform, targeting niche investment strategies to serve the needs of investment objectives of our investors. This unique perspective allows Hampshire to view *real estate through a different lens*, a viewpoint that has led us to the RPI Prism, and our united strategy for assessing, maintaining, and improving the sustainability of our investments.

- + Vision & Core Values
 - + Change Ready Leaders
 - + Hampshire “Prism”
-
- DRIVES OUR PEOPLE



- + 90 Years, 4 Generations
 - + All Real Estate Asset Sectors
 - + Track Record: Investor, Developer, Operator, Fiduciary
-

DRIVES OUR STRATEGIES

- + Hampshire: Integrated Business Operation
 - + Hampshire: Diversifying Investment Platform
 - + The Hampshire RPI Prism
-

DRIVES OUR PERFORMANCE



As an extension of the Hampshire Real Estate platform, the **Hampshire RPI Prism** provides investors and communities with greater value through environmental, social, and governance strategies. Through this platform, we actively manage our real estate investments according to the following tenets:

The Hampshire RPI Prism

Community Engagement

Serving the needs of our stakeholders, communities, and employees is a critical part of our success. Through our “in service” mindset, Hampshire passionately and relentlessly strives to create industry goodwill. Hampshire’s established internal culture and emphasis on employee growth recognizes that our success is critically linked to the people we work with, the markets in which we operate, and the investors we service.

Management Oversight

Establishing sound governance, compliance, and managerial practices creates greater transparency and insight for our stakeholders, and ensures that all parties are working towards the same objectives, with a common purpose.

Environmental Stewardship

Understanding and implementing green building and environmentally friendly practices can deliver cost savings and improved operating income, but can mitigate risks, enhance asset values, and create a more compelling and competitive product in line with community desires.

The Hampshire RPI Prism, combined with our RPI Investment Principles (See Appendix), both guide and inform our real estate investment management strategies, and ultimately strengthen our capabilities as fiduciaries.



As part of our efforts to strengthen our RPI initiatives, we rely on our greatest resource - our staff. The Hampshire RPI Prism provides a common framework on how our team can incorporate environmental, social, and governance strategies into daily operations. But to truly achieve greater financial returns and opportunities for our investors, our RPI initiatives must align with our real estate investment strategies and objectives.

Recognizing this, we formed the RPI Prism Team to set overall strategy and direction for Hampshire's continued RPI efforts. Made up of a cross-functional team of senior Hampshire staff, the RPI Committee meets regularly, engages employees and stakeholders, sets priorities and budgets, and monitors progress and performance across our assets and programs:

Members of the RPI Prism Team:

Name	Title
Rob Schmitt	Principal
Erinn Costantino	Investor Relations
Camille Cruz	Corporate Administrative Assistant
Cristina Kloss	Manager – Asset Services
Carl Reggie	Senior Real Estate Manager
Barbara E. Stephenson, RPA	Senior Real Estate Manager
Kate Yurtec	Fund Controller



2016 Accomplishments

Portfolio & Program Overview



Three-Year Action Plan



To set long-term priorities for Hampshire's RPI efforts, the RPI Committee developed a comprehensive three-year action plan in 2016. This document serves as the tactical outline for how we intend to approach and expand our RPI activities through 2019, with specific milestones, targets, and completion dates:

- › The action plan detailed specific timelines and tasks for the following areas:
 - Corporate strategy, policies, and procedures
 - Property-specific initiatives
 - Training and education
 - Transactions and leasing

- › Specific tasks detailed in the plan include:
 - Developing an internal reporting infrastructure that leverages data and analytical capabilities to monitor, track, and report on energy and water performance
 - Increasing stakeholder engagement through RPI training for staff, communicating sustainability issues with tenants, and participation in industry associations and events
 - Implementing energy efficiency campaigns emphasizing technical improvements for key equipment at our facilities, such as exterior lighting and rooftop units



Portfolio & Program Overview: GRESB Results



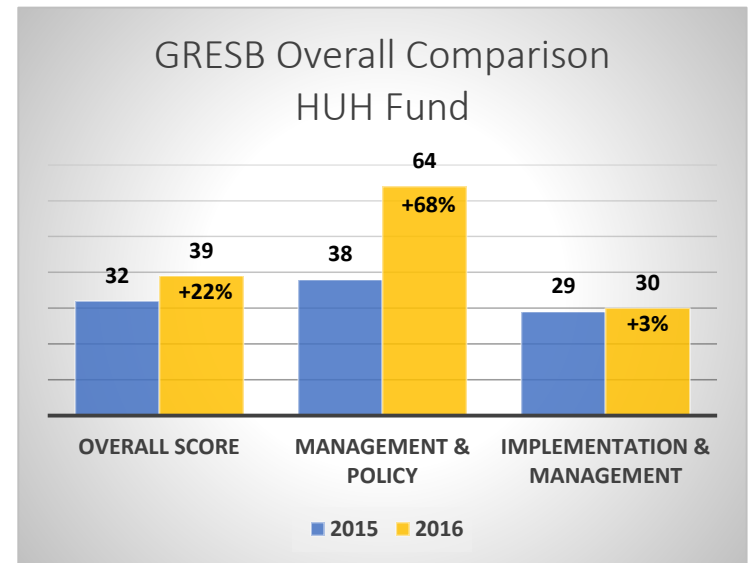
This is the third year in which Hampshire Real Estate has participated in the Global Real Estate Sustainability Benchmark (GRESB) annual survey, submitting information on behalf of the HUH US Real Estate Income Fund. We continue to make progress across multiple dimensions, and expect further improvements in 2017.

› Summary of 2016 GRESB results for the HUH fund:

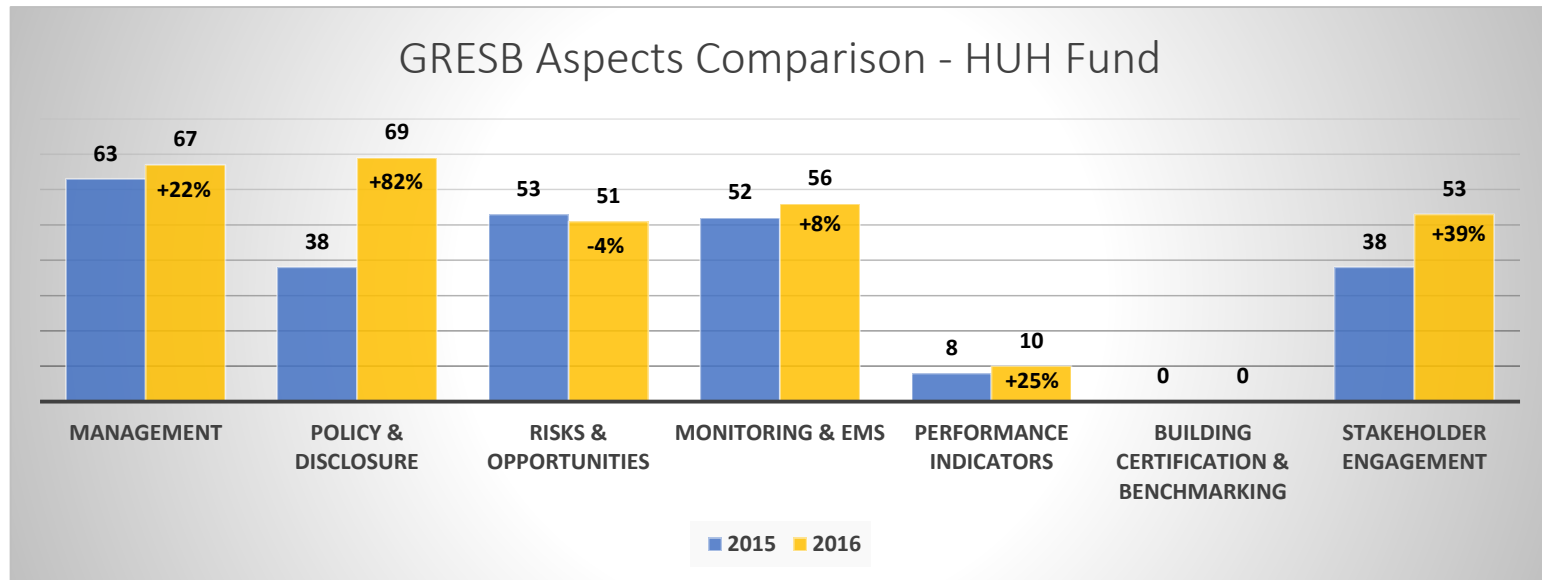
- The overall score for the fund improved 7 points – equal to a 22% increase – with increases in almost every reporting category.
- The fund’s overall GRESB score has improved each year.

› Peer Group challenges:

- GRESB classifies the HUH fund as U.S. Non-Listed, Diversified.
- Portfolios of the 33 peer funds are comprised of, on average, 30% office buildings, 26% multifamily, and 11% enclosed malls.
- The HUH fund consists mostly of open-air retail, industrial, and warehouse assets.
- With a majority of tenant under “triple net leases” the HUH Fund’s is limited in its ability to implement sustainability initiatives, gather, utility data, and achieve green certifications or ratings as compared to peers with office and multifamily assets.



Portfolio & Program Overview: GRESB Results



- › Specific GRESB Aspect scores detailed above reflect progress that occurred in 2015:
 - Incomplete utility data due to Hampshire's transition in operations in 2015 resulted in low scores in the Performance Indicators. To improve upon the performance metrics, Hampshire formed a partnership with EnerNOC to build the data tracking and reporting infrastructure and brought the property management in house to assume accountability for operations (See slide 12 for more detail.)
 - The increase in Stakeholder Engagement scores results from specific tenant outreach and stakeholder engagement programs, as well as greater property management coordination with tenants initiated in 2015, which will be expanded in 2017.
 - Currently no HUH assets have green certifications or ratings such as Leadership in Energy and Environmental Design (LEED) or ENERGY STAR, as indicated by the score for Building Certification & Benchmarking. Most retail, industrial, or warehouse assets do not qualify or have significant data hurdles to achieve these certifications.



2016 Accomplishments

Strengthening Capabilities



Improved data collection, tracking, and analysis processes



Through analysis of our operations and GRESB results, we identified data management as a critical attention area for 2016. To improve our utility data collection, tracking, and analysis capabilities, we partnered with EnerNOC, an industry leader in energy management solutions:

- › Our partnership with EnerNOC focuses on the following:
 - Collecting and compiling utility bills and cost information
 - Development of reporting systems, asset benchmarks and baselines, and monitoring protocols to track performance trends
 - Securing preferred contract pricing and utility procurement strategies through economies of scale
 - Conduct analyses to identify opportunities for improved energy efficiency and property operations



Integrating the Platform



In 2016, we completed our transition to in-house property management throughout our portfolio. This vertically integrated structure improves cross-functional communication and processes between investment management, capital markets, and accounting functions, enabling better execution of operational strategies. Ultimately, it provides us with increased contact with our properties on a daily basis; allowing us greater control, streamlining our approach to asset operations, and increasing accountability for property performance:

- › Property management integration - key activities:
 - Held RPI training for all staff to discuss the role of RPI at Hampshire, review our goals and objectives, explain policies, and discuss key activities, results, and upcoming initiatives
 - Formalized property management process maps, integrated into Hampshire “Book of Knowledge” resource materials
 - Initiated the development of utility management and RPI program tools for property managers
 - Conducted property inspections on a regular basis



Improved Information During Transactions



The Hampshire RPI Prism provides a mechanism to understand and mitigate risks, as well as create value through reduced utility consumption and costs and improved operating efficiencies. Recognition of these efforts and RPI priorities during real estate transactions is absolutely critical to generating real value, and cannot occur without certain procedures in place.

Recognizing this challenge, we are developing the following resources (completion expected in Q4 2016) to capture and analyze material information through critical junctures of the real estate lifecycle:

› RPI Due Diligence Checklist

- Supplementing existing due diligence processes, the RPI Due Diligence Checklist incorporates information and data needs related to energy efficiency, water, property operations, environmental risks, and resiliency considerations

› Tenant Energy Management Guide

- Designed to provide actionable, useful information to Hampshire's retail and light industrial tenants, the Tenant Energy Management Guide details best practices and tips for reducing energy costs in their spaces and improving equipment reliability and maintenance. Hampshire intends to distribute this document to all current and future retail and light industrial tenants, enabling greater collaboration and engagement on energy efficiency and property operations.

[DEAL NAME]								
Due Diligence Expiration:								
HAMPSHIRE								
Item	Producer	Gatherer	Reviewer	Due date	Complete	Items for Investment Committee	Action Plan	Status
Kick Off Meeting/ Strategy								
Environmental								
Contamination: identify land and groundwater pollution which may require action environmental risks. Phase I or II ESA shall suffice.								
Indoor Environmental Quality: assess conditions inside of the building including: air quality, access to daylight and views, acoustic conditions, occupant control over lighting and thermal comfort. Consider whether the layout provides sufficient space for occupants and access to tools or people. Examine and analyze tenant space usage and activities for potential hazards.								
Flooding: assess the property's flood risk via review of historical floodplain maps or analysis of climate change-related flood risk.								
Natural hazards: identify risk of naturally occurring hazards, including drought, hail storms, earthquakes, fire, hurricane, or any other applicable natural hazard.								
Property Condition Assessment								
Building safety and materials: assess and identify potential hazards and vulnerabilities caused by the construction materials used, major structural flaws, presence of asbestos, or other construction-related factors.								



2016 Accomplishments

Property Operations and
Tenant Engagement





While many of our RPI efforts for 2016 have emphasized policy and foundational changes that will facilitate continued improvement, we have also made tangible progress at the property level that will lead to reduced consumption of natural resources in our portfolio and lower operating costs. Highlights include:

› Sustainable Paper Products

- Hampshire recently adopted tree-free renewable paper products across the entire portfolio that are biodegradable, rapidly renewable, and do not require heavy bleaching.
- Additionally, because they are certified by USDA as Biobased Products, these products can help achieve points during LEED Certification.

› Lighting Retrofit Projects

- Piloted multiple small-scale lighting retrofits to test solutions for greater adoption across the portfolio in 2017 and beyond.
- Conducted total replacement of T12 lamps with energy efficient T8 lamps at three properties, which is expected to reduce energy consumption by 68,000 kWh (54.6%) cumulatively.





Additional operational highlights include:

› *Electric Vehicle Stations*

- Installed an electrical vehicle charging station at an office property in Florham Park, NJ with capacity for up to four vehicles.
- Began exploring potential 2017 installations at other properties.

› *Solar Power*

- Worked to facilitate the installation of on-site photovoltaic arrays for a tenant who wished to deploy solar power at their cost.

› *Roofing Retrofits*

- Hampshire collaborated with its roofing consultant to create specifications that will allow installation of the most energy-efficient roofing system available.
- To achieve this goal, Hampshire almost exclusively used a white roofing product for properties that required remedial roof replacements.





› Talent Management:

- Developing change ready leaders with shared values and a common purpose is a critical component to the Hampshire culture. In that we understand people are the company's greatest resource, our Senior Leadership Team puts a high priority on developing talent. In 2016 talent management initiatives included the following:
 - **Leadership Workshops**
 - Quarterly functional group workshops facilitated by a professional leadership coach focused on behavior and leadership skills.
 - **Learning Program**
 - Periodic seminars led by the Senior Leadership Team and members of the Operational Excellence Team focused on specific technical aspects of real estate.
 - **Individual Development Plan**
 - A customized document detailing both behavioral and technical performance priorities were developed for each employee to assist them in achieving desired career goals.

› Culture Survey:

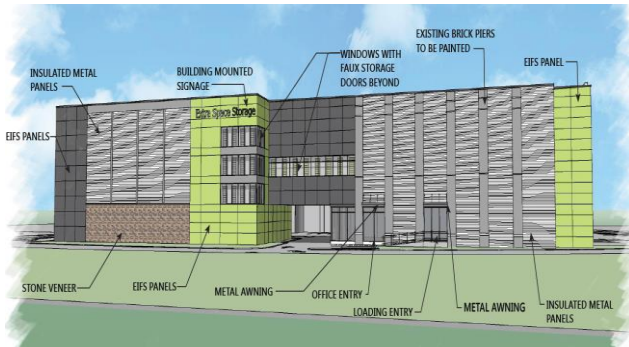
- 2016 marks the fifth (5th) consecutive year that all Hampshire Company employees have participated in a culture survey. Through the online questionnaire employees provided their feedback and insights on many important aspects comprising the Hampshire culture including operations, human resource policies, talent management and business strategy. The Hampshire Senior Leadership Team is currently reviewing the survey results and will utilize them to establish internal and external business planning priorities for the upcoming year.



Designated Redeveloper Status

Working with local communities, Hampshire was appointed as a Designated Redeveloper for several deteriorated properties to re-purpose them into productive assets for the communities in which they are located.

Examples of 2016 Redevelopment Projects



Hartford Self-Storage

Redevelopment of an existing storage facility followed by the development of a new storage facility located adjacent to the existing facility in densely populated Hartford, Connecticut



Lackawanna Plaza Retail

Grocery anchored 92,000 SF shopping center located in downtown Montclair, New Jersey in an area of the city lacking development.



1500 Blair Road Industrial

Redevelopment of a parcel zoned for Industrial use in Carteret, New Jersey



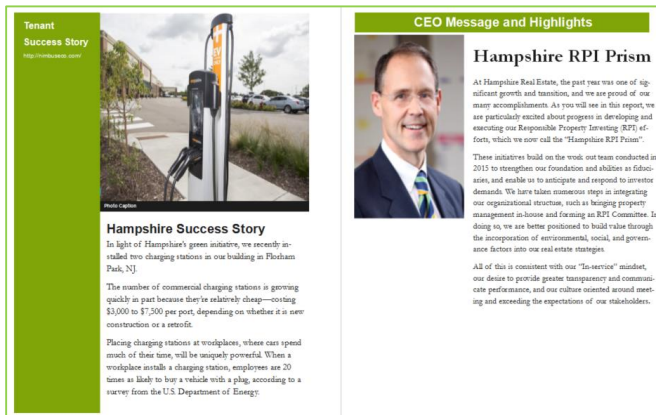
Hampshire Real Estate has a strong corporate culture and an “In service” mindset that facilitates a focus on community relations, stakeholder engagement, and a collaborative workplace to meet shared objectives. Over the past year, we have continued to develop tools, resources, and practices that better enable our tenants to see value in and contribute to our RPI initiatives. Select examples include the following:

› Green Lease Language

- Began implementing green lease language and following best practices suggested by the Institute for Market Transformation’s (IMT) Green Lease Leaders program, and are working to include green lease language for all new and renewing leases.
- When finalized, we plan to incorporate new green leasing language into agreements with new and renewing tenants across the portfolio in 2017 and beyond.

› Tenant Newsletter

- Developed and sent sustainability newsletter to tenants explaining the refined RPI Prism, discussing utility management, and providing tips for improving energy efficiency, operations, and maintenance within their spaces.





Future Activities

Driving and Documenting Results



Progressing Toward 2020 Objectives



The Hampshire RPI Committee has established the following targets for 2020 (compared against a 2015 baseline):

- Reduce corporate paper use by 15%
- Reduce energy and carbon emissions 15% across 30 benchmarked properties
- Improve recycling rates by 30%
- Reduce water use by 15%

In setting these targets, the RPI Committee recognized the need to strengthen data collection, reporting, and tracking processes to monitor progress. As described on page 12 of this report, Hampshire engaged with ENERNOC to develop this critical management functionality. Hampshire expects to report progress against the targets above in 2017, in accordance with the following milestones:

Milestone	Status
Set environmental targets	Complete
Secure utility data management vendor	Complete
Collect data, establish management reports and performance benchmarks	In process
Develop action plans to meet targets	In process





We have made significant progress in the past year, but recognize the scale of the task ahead, and that we can accomplish much more. Having expanded and developed the Hampshire RPI Prism as a platform for growth, we anticipate turning towards the following priorities in 2017 and beyond:

- › Finalize RPI management reporting:
 - Refine environmental metrics, key-performance indicators, and asset level performance tracking
 - Implement environmental scorecards and management reports
 - Conduct analyses of properties to identify top performers and opportunities for improvement
 - Increase data coverage and technical rigor in support of GRESB reporting
- › Accelerate energy, water, and waste management efforts:
 - Analyze utility data and trends to identify candidates for industry recognition and internal intervention
 - Conduct due diligence, energy audit, and property assessment pilots
 - Expand material sourcing, lighting retrofits, Electric-vehicle charging station installations as appropriate
 - Continue analyzing and promoting roofing retrofits and photovoltaic installations where feasible
- › Expand communications, engagement, and training initiatives:
 - Continue RPI and sustainability 101 training for all staff members.
 - Develop new training courses to add depth and breadth to the curriculum
 - Increase newsletter frequency and deliver updates, news, and tips at least quarterly, with season-specific guidance and best practices for tenants



Appendix

RPI Investment Principles





- › Diversity:
 - Appointment of an operational management team consistent with the focus of our diversity policy
- › Talent management program:
 - Implementation of talent management program that is dedicated on personal coaching and for all Hampshire employees. Program includes:
 - Independent Development Plans
 - 1:1 Coaching
 - Workshops and 360 degree review
- › Health and safety:
 - Hampshire has established human resource policies and initiatives that prioritize wellness, safety, and promote healthy living. Initiatives and practices include:
 - Establishment of building safety and evacuation plans
 - Creation and dissemination of health awareness newsletter to all employees
 - Participation and sponsorship of various corporate fitness events
- › Company culture:
 - Annual culture survey that provides employees the opportunity to assess how well the company is living its core values and achieving its goal of organizational excellence relative to culture, talent, strategy, and performance



Our compliance program and Compliance Committee oversees operations related to:

- Investment Management & Fund Objectives
- Books & Records
- Registrations & Filings
- Annual Audits
- Marketing and Investor Relations
- Custody
- New Investor Screening
- New Hire Compliance Training
- Anti-Money Laundering & OFAC Compliance

Our governance encompasses both externally mandated regulatory compliance requirements as well as internal corporate governance requirements that are complementary in nature and provide a comprehensive program incorporated into the operation of our Funds. Our Chief Compliance Officer and Compliance Committee have established a compliance program including a written Compliance Manual and Code of Ethics, with which all employees must comply.

Hampshire operates under a framework of procedures and principles to ensure that all employees embrace corporate responsibility, accountability, fairness, and transparency in their interactions with stakeholders. Hampshire's governance relies on a committee structure to oversee all corporate governance procedures and practices. In addition to the Investment Committee, the firm relies on its Chief Compliance Officer, Compliance Committee, as well as Fund and Operations Managers to oversee and implement appropriate procedures for Hampshire employees.



Many of our funds have Boards of Managers or Advisory Committees to allow for investor input. Each fund's Investment Committee takes into account a number of environmental and governance factors in its investment program. The investment approval process incorporates a rigorous underwriting protocol and risk management evaluation. This process includes general due diligence on the asset itself, but also covers environmental issues, title and zoning concerns, and anti-money laundering risks. We also require suitable background checks and insurance policies for all of our partners, and acquisition audits to ensure the successful transition of all assets in the portfolio.

Hampshire is committed to the continual evolution of its responsible property investing program and will continue to build on its policies in a manner consistent with our fiduciary responsibilities in the real estate industry. As we implement RPI practices and further develop policy, it is our commitment to be transparent throughout the process. To that end, we not only have produced this report but will publish a Responsible Property Investment report annually. We will convey responsible property investment related matters through the following vehicles:

- Quarterly and Annual Fund Reports
- Investment Committee Meetings
- Board of Managers Meetings
- Periodic Investor Meetings

A critical component of our governance policy is to keep our investors informed as to how we invest their capital and the ways in which we meet our fiduciary obligations. To this end we are committed to transparency of our reports and regular communication with our investors throughout all phases of the investment management process. This includes consistent timely reporting with respect to new investments, asset management initiatives, leasing reports, market risk assessment, accounting reports, asset allocation, and other factors that may have an impact on fund performance.