

Quarterly Update

Q3 17

Fund Facts

Portfolio Manager
Alex Short



Investment Objective and Strategy

The Company exploits what it believes to be the compelling relative value opportunities offered by pricing inefficiencies in smaller commercial properties let on shorter occupational leases in strong commercial locations. The Company intends to supplement this core strategy with active asset management initiatives to improve the quality of income streams and maximise value.

Launch date: 12 May 2015

Fund structure: UK Real Estate Investment Trust

Year end: 30 April

Fund size (Net Asset Value): £148.22m

Property valuation: £147.79m

Number of properties held: 32

Average lot size: £4.62m

Property portfolio net initial yield (% p.a.): 7.41%

Property portfolio reversionary yield: 8.12%

LTV (Gross Asset Value): 21.99%

Average weighted unexpired lease term

To break: 4.57 years **To expiry:** 5.79 years

Occupancy: 91.4%* * As a % of ERV

Number of tenants: 82

Share price as at 31 Oct: 101.5p

NAV per share: 97.8p **Premium/(discount) to NAV:** 3.78%

Shares in issue: 151.56m

Market capitalisation: £153.83m

Annual management charge: 0.9% per annum of invested NAV

Dividend target

The Directors will declare dividends taking into account the level of the Company's net income and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend, which is 8 pence per Share, over the 12 months ending 30 April 2017. Based on the current market conditions as at the date of this Registration Document, the Company expects to pay an annualised dividend of 8 pence per Share in respect of the financial period ending 31 March 2018 and for the interim financial period to 30 September 2018.¹

ISIN: GB00BWD24154 **Broker:** Fidante Capital

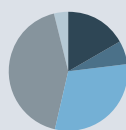
Ticker: AEWU **SEDOL:** BWD2415

AEW UK REIT plc invests in and intensively asset manages a diversified portfolio of small, high yielding commercial properties across the UK

Fund Highlights

- In Q3, the Company raised gross capital proceeds of £28.1m.
- The Company made one disposal and one acquisition over the last quarter with a sale price of £11.1m and a purchase price of £6.4m respectively. One further property is under offer to purchase for £10.5m (as at 1 December 2017).
- On a like-for-like basis the valuation of the property portfolio increased by £2.09 million (1.50%).
- EPRA earnings per share for the period of 1.65 pence per share
- Interim dividend of 2.0 pence per share announced for the quarter ended 31 October 2017.
- NAV total return of 3.10% and shareholder total return of 2.16% for the quarter ended 31 October 2017.

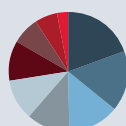
Sector Weightings



● Standard Retail	16.9%
● Retail Warehouse	6.3%
● Offices	30.6%
● Industrial	42.4%
● Other	3.8%

Based upon Knight Frank valuation. As a percentage of portfolio (excluding cash).

Portfolio Locations



● South East	19.54%
● Yorkshire and Humberside	16.56%
● Eastern	13.69%
● South West	11.77%
● West Midlands	11.16%
● North West	10.87%
● Scotland	7.48%
● East Midlands	5.89%
● Wales	3.04%
Central London, North East, Northern Ireland	0.00%

Based upon Knight Frank valuation. As a percentage of portfolio (excluding cash).

Q3 Acquisitions

Commercial Road, Portsmouth

- Fully let to 7 retail tenants and 1 office tenant
- WAULT of 4 years to expiry secured against the national covenants of Nationwide, River Island, Telefonica and Greggs.
- Prime city centre location
- Low capital value of £181 psf
- Net initial yield of 9.6%



¹ In order to align dividend payments with the Company's new accounting period, in respect of the 3 month period to 31 October 2017, the Company has declared a dividend of 2 pence per Share and then, in respect of the 2 month period to 31 December 2017, it currently intends to pay a further dividend at a rate of two-thirds of the 2 pence per Share dividend currently being paid for a three month period (reflecting the 2 month period since the previous dividend payment). From March 2018 the Company anticipates resuming quarterly dividends with dividends declared in January, April, July and October of each year.

Investment Summary

We are pleased to be investing again following our successful raise of £28m in October. With a lot of focus in the market currently on longer leased properties we see compelling buying opportunities for our strategy. We continue to find a yield premium by investing in smaller lot size properties let on shorter than average leases but with a focus on sustainable locations and replicable income streams. We have already completed one acquisition since the close of the capital raise for over £6m and expect to be making further acquisition announcements shortly. We are pleased to announce this purchase of a High Street retail asset in Portsmouth, a top 50 retailing centre which is set to see £1 billion of investment over the next 20 years.

The performance of the Company's assets has continued strongly again this quarter with like-for-like valuation growth of 1.5%. This compares favourably to MSCI data which shows that the market as a whole delivered growth of 1.3% over the quarter to 30 September 2017 on a "standing investment" basis (excluding transactions and developments).

We are particularly pleased with the capital appreciation delivered by the Company's industrial assets which have seen the strongest growth of all of the sectors in which the Company is invested, at an average of 3.2% within the quarter. The portfolio has been particularly well placed to benefit from this movement with its high weighting towards the industrial sector where many of our recent acquisitions have been focused, particularly in locations which exhibit low levels of supply alongside robust tenant demand and a low level of passing rent.

Our asset management team have had another successful quarter completing the disposal of the Valley Retail Park in Belfast which is the culmination of 2 years of hard work that has seen some significant value added to the asset with an overall valuation uplift in excess of 50% achieved. The team have also this quarter completed a lease renewal with the company's largest tenant Ardagh Glass lengthening the income stream and creating a 9% valuation uplift on the asset.

10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
225 Bath Street	Glasgow	Offices	11.1	7.5%
40 Queen Square	Bristol	Offices	10.2	6.9%
69, 71, 73 and 75 Above Bar Street	Southampton	Standard Retail	8.8	6.0%
Pearl Assurance House	Nottingham	Offices	8.7	5.9%
Eastpoint Business Park	Oxford	Offices	8.7	5.9%
Barnstaple Retail Park	Barnstaple	Retail Warehouses	7.3	4.9%
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate	South Kirkby	Industrial	6.5	4.4%
Commercial Road	Portsmouth	Standard retail	6.4	4.3%
Wyndeham	Peterborough	Industrial	5.7	3.9%
Odeon Cinema	Southend-on-Sea	Other	5.6	3.8%

AEW UK Investment Management LLP

Well-resourced team comprising
24 individuals covering investment, portfolio management, asset management, operations, relationship and client management, and strategy

AEW UK has **£1.47bn total AUM**
(as at 30 September 2017)

Part of AEW Global, one of the world's largest real estate managers, with
€57.7 billion of assets
under management (as at 30 September 2017)

In Europe, as at 30 September 2017, AEW Global managed
€26.6 billion in properties
of all types located in **15 countries**, with **c. 400 staff**

The management team



Richard Tanner, Managing Director – AEW UK

Richard has responsibility for defining and implementing AEW's strategy in the UK. Since launching AEW's first UK focused fund in 2012, he has overseen in excess of £1.4bn of UK real estate transactions and brings 28 years of experience to the team.



Alex Short, Portfolio Manager

Alex joined AEW in 2014 and has 20 years' industry experience. From 2010 to 2013, she was a Managing Director at UBS Global Asset Management and held a business and client management role, whilst also a member of the GRE-UK Investment Committee.



Laura Elkin, Assistant Portfolio Manager

Laura has 11 years' industry experience. Laura joined AEW in 2013 with responsibility for sourcing and executing direct investments within all property sectors for the AEW UK funds and separate mandates.

Key contacts New investors: Dana Eisner | dana.eisner@eu.aew.com | T: 020 7016 4883 Existing investors: Kari Clarke | kari.clarke@eu.aew.com | T: 020 7016 4804

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