

Quarterly Update

Q2 19

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 supplements 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: 31 March

Fund size (Net Asset Value): £148.33m

Property valuation: £196.56m

Number of properties held: 35

Average lot size: £5.62m

Property portfolio net initial yield (% p.a.): 7.61%

Property portfolio reversionary yield: 7.80%

LTV (Gross Asset Value): 25.44%

Average weighted unexpired lease term

To break: 4.3 years **To expiry:** 5.6 years

Occupancy: 96.96%* * As a % of ERV

Number of tenants: 95

Share price as at 30 Jun: 97.88p

NAV per share: 97.87p **Premium/(discount) to NAV:** 0.01%

Shares in issue: 151.56m

Market capitalisation: £148.35m

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 was 8 pence per Share declared for the year ended 31 March 2019. Based on the current market conditions, the Company expects to pay an annualised dividend of 8 pence per Share in respect of the financial year ending 31 March 2020 and for the interim financial period to 30 September 2019.

ISIN: GB00BWD24154 **Broker:** Liberum

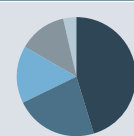
Ticker: AEWU **SEDOL:** BWD2415

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

Fund Highlights

- At 30 June 2019, the fair value independent valuation of the property portfolio was £196.56 million (31 March 2019: £197.61 million). On a like-for-like basis the valuation of the property portfolio decreased by £1.05 million (0.53%) over the quarter (31 March 2019: decrease of £1.75 million and 0.91%).
- NAV of £148.33 million or 97.87 pence per share (31 March 2019: £149.46 million or 98.61 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.25 pence per share (31 March 2019: 1.99 pence per share).
- The Company today announces an interim dividend of 2.00 pence per share for the three months ended 30 June 2019, in line with the targeted annual dividend of 8.00 pence per share.
- Shareholder total return of 7.6% for the three months ended 30 June 2019 (three months ended 31 March 2019: 5.6%).
- The Company remains conservatively geared with a gross loan to value ratio of 25.44% (31 March 2019: 25.30%).
- At 30 June 2019, the Company held £1.11 million cash for investment which will be held for future capex projects.
- Portfolio and asset management activity during the period included:
 - The company has exchanged contracts on the surrender and re-letting of Unit 1, Brockhurst Crescent, Walsall. The new term will be for 8 years increased from 3.15 years on the previous lease.
 - At Clarke Road, Milton Keynes, a rent review was settled in March 2019, increasing the rent from £134,000 per annum to £185,000 per annum.

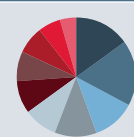
Sector Weightings



Industrial	47.7%
Offices	22.1%
Other	15.3%
Standard Retail	11.5%
Retail Warehouse	3.4%

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

Portfolio Locations



South East	14.8%
Yorkshire and Humberside	17.8%
Eastern	11.7%
South West	11.5%
West Midlands	9.1%
East Midlands	9.1%
North West	8.0%
Wales	7.5%
Rest of London	6.1%
Scotland	4.4%
Central London, North East, Northern Ireland	0.0%

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

Investment Summary

This quarter, the Company's EPRA EPS has increased to 2.25 pence per share, as the Company remains fully invested and continues to benefit from its high occupancy rate and the success of key asset management transactions.

The increase in EPRA EPS comes largely from a combination of increased rental income, due to the impact of rent reviews and the most recent acquisition of Lockwood Court in Leeds, and the one-off Prospectus costs having been accounted for in the prior quarter's EPRA EPS, which no longer impacts the EPRA EPS this quarter. The vacancy rate remains low at only 3.04% and we expect that the shorter than average portfolio Weighted Average Unexpired Lease Term ("WAULT") of 4.27 years to break and 5.56 years to expiry will provide the opportunity to boost income streams further through the negotiation of higher levels of rent, particularly in the business space sectors which constitute 69.8% of the portfolio.

Uncertainty remains in the wider political and economic environment. We hope that the appointment of Boris Johnson may bring a resolution to the ongoing Brexit negotiations later this year which would provide some certainty to investors and allow the opportunity for further growth in the near future.

The like-for-like valuation decrease for the quarter of £1.05 million (0.53%) is detailed as follows by sector:

Sector	Valuation 30 June 2019	Valuation movement for the quarter	Valuation movement for the quarter
	£ million	£ million	%
Industrial	93.88	-0.25	-0.27
Office	43.21	0.00	0.00
Other	30.02	0.00	0.00
Retail	29.45	-0.80	-2.64
Total	196.56	-1.05	-0.53

While the income profile of the portfolio remains strong, valuations have suffered in the retail sector, partly due to the wider economic environment, but largely due to structural changes causing a mismatch of demand and supply in many areas of the retail market. As shown above, our office and alternatives valuations have remained flat for the quarter, while the valuation of industrials has seen a small decrease and our retail valuations have fallen more significantly. Our retail valuation movement reflects the continued struggles of the sector as a whole. However, we consider the portfolio to be defensively positioned, with retail making up just 15.0% of the portfolio valuation. Our income streams from retail assets have also remained relatively unaffected amongst an environment of company failures and CVAs.

The management team



Richard Tanner, Managing Director – AEW UK



Alex Short, Portfolio Manager



Laura Elkin, Assistant Portfolio Manager

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We are encouraged by the results of the Company, both for the year ended 31 March 2019, which were released on 24 June 2019, and for the quarter ended 30 June 2019. Both demonstrate the reliable income stream of the portfolio, allowing the Company to consistently achieve its target dividend of 8.00 pps per annum over the respective periods. We feel that this portfolio forms a strong base from which to grow further and we hope to be able to capitalise on attractive opportunities in the market by raising additional capital under our placing programme.

10 largest assets	Location	Sector
Geddington Road, Corby	East Midlands	Other
40 Queens Square, Bristol	South West	Other offices
London East Leisure Park	Rest of London	Other
Eastpoint Business Park, Oxford	South East	Other offices
Gresford Industrial Estate, Wrexham	Wales	Industrial
225 Bath Street, Glasgow	Scotland	Other offices
Lockwood Court, Leeds	Yorkshire and Humberside	Industrial
69–75 Above Bar Street, Southampton	South East	Standard retail
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate, South Kirkby	Yorkshire and Humberside	Industrial
Barnstaple Retail Park	South West	Retail warehouses

As at 30 June 2019.

Q2 Asset Management

Clarke Road, Milton Keynes

- We have secured a £51,000 pa uplift (38% increase) on the August 2018 rent review, taking the total rent to £185,000 p.a.



Brockhurst Crescent, Walsall

- The Company has exchanged contracts on the surrender and re-letting of Unit 1, Brockhurst Crescent, Walsall. The rent will be unchanged at £231,728 and the new tenant will benefit from a nine month rent free period. The new term will be for 8 years increased from 3.15 years on the previous lease.



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