

# Quarterly Update

## Q3 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):** £147.55m

**Property valuation:** £196.05m

**Number of properties held:** 35

**Average lot size:** £5.60m

**Property portfolio net initial yield (% p.a.):** 7.46%

**Property portfolio reversionary yield:** 7.82%

**LTV (Gross Asset Value):** 25.50%

**Average weighted unexpired lease term**

**To break:** 4.33 years **To expiry:** 5.82 years

**Occupancy:** 96.04%\* \* As a % of ERV

**Number of tenants:** 92

**Share price as at 30 Sep:** 93.9p

**NAV per share:** 97.36p **Premium/(discount) to NAV:** (3.55%)

**Shares in issue:** 151.56m

**Market capitalisation:** £142.31m

**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 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 year ending 31 March 2020.

**ISIN:** GB00BWD24154 **Broker:** Liberum

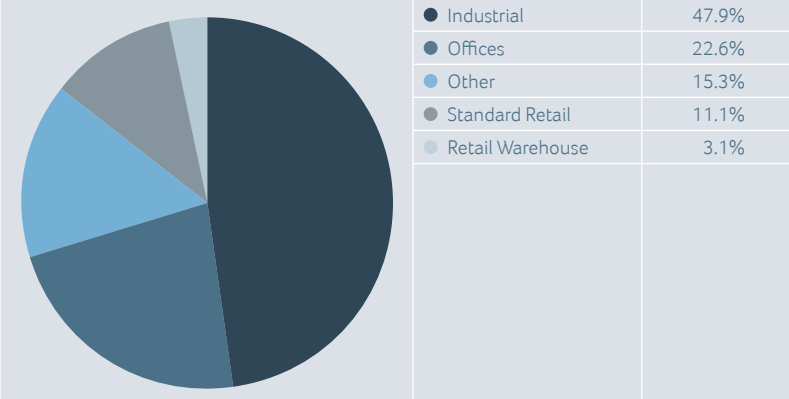
**Ticker:** AEWU **SEDOL:** BWD2415

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

### Fund Highlights

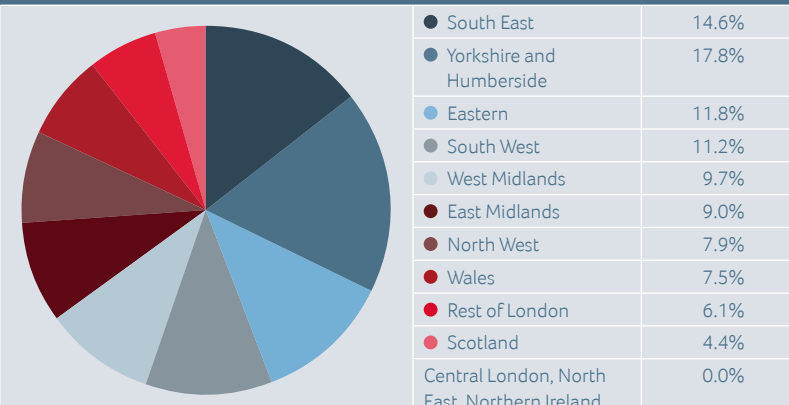
- At 30 September 2019, the fair value independent valuation of the property portfolio was £196.05 million (30 June 2019: £196.56 million). On a like-for-like basis the valuation of the property portfolio decreased by £0.51 million (0.26%) over the quarter (30 June 2019: decrease of £1.05 million and 0.53%).
- NAV of £147.55 million or 97.36 pence per share (30 June 2019: £148.33 million or 97.87 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.13 pence per share (30 June 2019: 2.25 pence per share).
- The Company has announced an interim dividend of 2.00 pence per share for the three months ended 30 September 2019, in line with the targeted annual dividend of 8.00 pence per share.
- NAV total return of 1.52% for the three months ended 30 September 2019 (three months ended 30 June 2019: 1.28%).
- The Company remains conservatively geared with a gross loan to value ratio of 25.50% (30 June 2019: 25.44%).

### Sector Weightings



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

### Portfolio Locations



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

## Investment Summary

Despite the backdrop of ongoing political uncertainty, the Company remains confident in its ability to deliver on its objectives. The value of our assets has remained robust to date, particularly in the office and industrial sectors, where assets have either been acquired at conservative levels or provide exciting value-add opportunities. There has been some loss of value in retail assets, in line with the structural changes that we are seeing across the retail sector, however, this has been mitigated by the portfolio's light exposure to the sector at 14.2% and also by value gains in other parts of the portfolio. EPRA Earnings cover of the quarterly 2 pence per share dividend remains healthy, at 106% this quarter.

The portfolio, now increasingly mature, is offering us numerous opportunities to undertake asset management initiatives which provide various potential routes to add value. Over the past quarter this has included the settlement of an industrial rent review in Bradford at an increase of 14% above the level of our valuer's ERV. In addition, post quarter-end, we have completed a lease extension on an industrial unit in Basingstoke, which has been achieved at 46% above the previous passing rent due to its short term.

Despite our positive outlook for the portfolio, we are conscious of the opportunity to limit downside risk in an uncertain macro environment and, with this in mind, we have recently taken a number of steps to reduce risk associated with the Company's debt facility. In October 2018, we documented the extension of the loan's term, pushing expiry from October 2020 to October 2023. In addition, earlier this month we completed an amendment to the loan agreement with RBSi, which increases the loan to NAV covenant from 45% to 55%, subject to certain conditions. Neither of these changes have increased the current ongoing cost of the facility, other than incurring up-front fees. Our aim is to continue to keep gearing at a conservative level in accordance with the Company's stated policy.

The like-for-like valuation decrease for the quarter of £0.51 million (0.26%) is detailed as follows by sector:

Sector	Valuation 30 September 2019	Valuation movement for the quarter	Valuation movement for the quarter
	£ million	£ million	%
Industrial	93.93	0.05	0.05
Office	44.35	1.14	2.65
Other	30.02	0.00	0.00
Retail	27.75	-1.70	-5.77
Total	196.05	-0.51	-0.26

## The management team



Richard Tanner, Managing Director – AEW UK



Alex Short, Portfolio Manager



Laura Elkin, Assistant Portfolio Manager

**Key contact** Investor Relations: Kari Clarke | [kari.clarke@eu.aew.com](mailto:kari.clarke@eu.aew.com) | T: 020 7016 4804

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
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate, South Kirkby	Yorkshire and Humberside	Industrial
69–75 Above Bar Street, Southampton	South East	Standard retail
Wyndeham, Peterborough	Eastern	Industrial

As at 30 September 2019.

## Q3 Asset Management

### Knowles Lane, Bradford

- A rent review dated September 2018 has been settled at an industrial unit in Bradford. The review documents a new passing rent of £182,500, representing a 14% increase on the previous rent, which is also ahead of the valuer's ERV. The back-dated increase in rent from September 2018 up to the date of the settlement of the review has been recognised as income in the quarter to September 2019.



### Bessemer Road, Basingstoke

- A lease extension for a term of six months has been completed with HFC Prestige Manufacturing in Basingstoke. Due to the short extension period, a rental level has been agreed 46% ahead of the previous passing rent.



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