

### Fund Highlights

- Independent valuation of direct property portfolio increased to £125.88 million
- Tap issues raised £5.99 million before costs and expenses
- Asset management activity continues to add value across the portfolio
- Dividend of 2p declared for the quarter showing a yield of 8.2%\*

\*against the share price as at 29 November 2016

### Who we are

AEW UK REIT plc (the "Company") is a Real Estate Investment Trust established in May 2015. The Company is listed on the premium listing segment of the Official List of the UK Listing Authority and the shares are traded on the Main Market of the London Stock Exchange.

The assets of the Company are managed by AEW UK Investment Management LLP ("AEW UK"). The AEW UK Management Team is an experienced team with an average of 17 years working together and managing funds and separate accounts totalling over £1bn. The Team has a strong track record and brings an institutional asset management approach to more active value add assets.

Alex Short, Portfolio Manager commented, **"We have now seen two valuation dates since the referendum result in June and are encouraged by how the value of the portfolio has stabilised and also by its resilience to market uncertainty. Since July our valuers have removed their caveat reflecting a lack of post-Brexit transactional evidence from our valuations and have also applied a modest level of post-Brexit capital growth."**

**Trading in the Company's shares has also been stable over the last quarter with a consistent premium being maintained which has allowed us to raise £6m in new equity from tap issues. The net proceeds of the share issues, and debt facility up to 20% loan to GAV, are under offer on new acquisitions in the industrial sector.**

**Across the portfolio we continue to see the occupier market remaining active, with robust levels of tenant demand. As a result, 34% of the portfolio's current vacancy is now under offer and, once completed, these lettings will reduce the current portfolio vacancy from 8.70% of ERV to under 7%. In locations where this occupier demand is coupled with a shortage of good quality supply, we are seeing rental value uplift which gives confidence in the portfolio and has been accretive to value. The investment market has seen a healthy level of activity since the end of the summer and we can see a strong pipeline of opportunities suitable for the future growth of the company. Defensive downside protection remains a focus of our stock selection process with a focus on investment values that are underwritten by replacement cost, vacant possession as well as alternative use values and are therefore less exposed to capital erosion."**

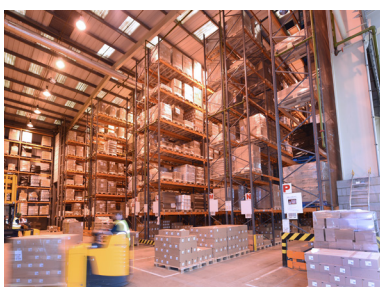
### Investment Strategy

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.

### Asset Management Updates

#### Cranbourne House, Basingstoke

In return for receiving consent to assign the lease to parent company HFC Prestige Manufacturing Limited, Wella Holdings Limited contracted to remove its 2017 break clause giving the Company two years of additional income to 2019, at £410,000 p.a. plus a 6 months rental guarantee. The tenant is now also carrying out refurbishment works to the building, further demonstrating its commitment to the location.



#### 11-15 Fargate, Sheffield

The Company has completed the leasehold disposal of vacant upper parts above the prime retail units for a price of £710,000, against an assumed acquisition value of £250,000. The vacant upper parts were held at nil cost to the Company due to a 12 month guarantee from the vendor of the property covering rent, rates and service charge. The retained retail units fronting the prime pedestrianised pitch of Fargate provide good potential for rental value growth going forward due to a higher rental level that has recently been documented in new lettings on the pitch directly opposite.

#### Odeon Cinema, Southend

We have obtained a 6% uplift of £30,000 per annum for the outstanding 2012 rent review from £505,000 to £535,000, backdated to 29 September 2012. Negotiations have commenced on the 2017 rent review.

#### Valley Retail Park, Belfast

A 15 year lease was completed with national retailer Smyths Toys at units 5 & 6 Valley Retail Park producing additional income of £200,000 p.a. As a result of this letting the scheme is now fully let and, due to asset management initiatives completed over the past 12 months, is showing a weighted average unexpired lease term to breaks of 10 years, as compared to 3 years at acquisition. The value of the asset has increased by over 40% since acquisition in September 2015.



#### Castlegate Business Park, Salisbury

The previous tenant Equinox, having served their break notice earlier this year, vacated the property in September. The property is now under offer for sale to an owner occupier at a price ahead of its October valuation with the sale due to complete before the year end.

#### Sandford House, Solihull

The portfolio's second largest tenant did not exercise its break option in 2017 and is now contracted to stay in occupation for a further 2 years until 2019. We are looking at various long term options for this central Solihull property including residential, retail or a second office building.

## Fund Facts

as at 31 October 2016

**Portfolio Manager**  
Alex Short

### Investment Objective and Strategy

The investment objective of the Company is to deliver an attractive total return to shareholders from investing predominantly in a portfolio of smaller commercial properties let on shorter occupational leases in strong commercial locations across the United Kingdom. The Company will undertake active asset management 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):** £118.05m

**Property valuation:** £135.21m (of which £9.33m is represented by AEW UK Core Property Fund)

**Number of properties held:** 27

**Average lot size:** £4.7m

**Property portfolio net initial yield (% p.a.):** 7.38%

**Property portfolio reversionary yield:** 8.53%

**LTV:** 19.6%

**Average weighted unexpired lease term**

To break: 5.25 years

To expiry: 6.48 years

**Occupancy:** 91.3%\* \* As a % of ERV

**Number of tenants:** 73

**Share price:** 99.00

**NAV per share:** 95.47

**Premium/(discount) to NAV:** +3.69%

**Shares in issue:** 123.65m

**Market capitalisation:** £122.41m

**Annual management charge**  
0.9% per annum of invested NAV

### Dividends

The Company intends to pay dividends on a quarterly basis which are declared in February, May, August and November in each year and paid within one month of being declared.

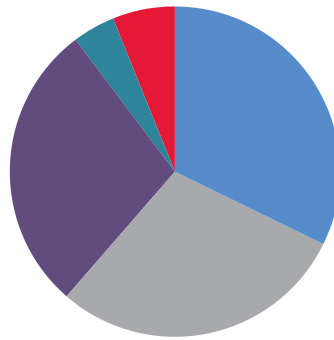
The Company targets a dividend yield of between 8–9% per annum on the IPO issue price of 100p per share and targets a total annual return, over the medium term, in excess of 12% on the IPO issue price, net of all fees.<sup>1</sup>

Dividends of 2.0 pence have been declared for the period from 1 August 2016 to 31 October 2016.

**ISIN:** GB00BWD24154

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

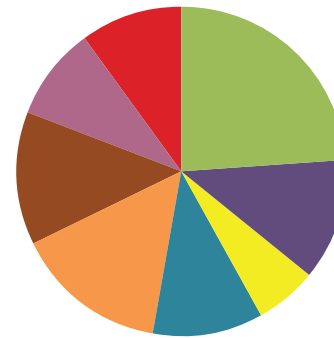
**Broker:** Fidante Capital



### Sector Weightings

|                           |     |
|---------------------------|-----|
| Offices                   | 32% |
| Industrial                | 29% |
| Retail                    | 28% |
| Other                     | 4%  |
| AEW UK Core Property Fund | 7%  |

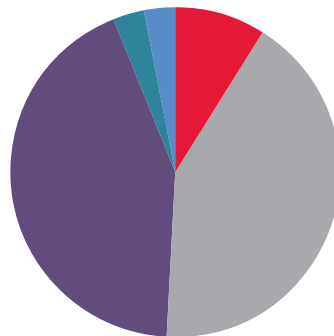
Based upon Knight Frank valuation 31 October 2016. As a percentage of portfolio (excluding cash).



### Portfolio Locations

|                    |     |
|--------------------|-----|
| South East         | 24% |
| West Midlands      | 12% |
| East Midlands      | 6%  |
| North West         | 11% |
| Yorkshire & Humber | 15% |
| South West         | 13% |
| Northern Ireland   | 9%  |
| Scotland           | 10% |

As a percentage of portfolio (excluding cash and the AEW UK Core Property Fund).



### Tenant Exposure

#### Top 20 Tenants – Risk of Business Failure

|                           |     |
|---------------------------|-----|
| Government Body           | 9%  |
| Minimal risk              | 42% |
| Lower than average risk   | 43% |
| Greater than average risk | 3%  |
| Undeterminable risk       | 3%  |

71% of Portfolio Income represented by Top 20 Tenants by income per annum. Source: www.dnb.co.uk. Based on D&B Risk Assessment Risk Indicator. "The D&B Rating provides a quick and clear indication of the credit-worthiness of an organisation, which helps you to identify profitable opportunities for growth, and risks that could affect bad debt and cashflow." Excluding the AEW UK Core Property Fund.

## AEW UK Core Property Fund Investment

On 30 September 2016 the AEW UK Core Property Fund announced that it would be moving its single price mechanism from a bid basis back to an offer basis and removing its dilution adjustment of 5%. Both the move to offer pricing basis and the introduction of the dilution adjustment were put in place as a result of market uncertainty in the UK following the June EU referendum result. On 14 October 2016 the Company announced that it expected to amend its valuation methodology in respect of its holding in the AEW UK Core Property Fund from the value according to the fund's single swinging share price to a value based on the fund's NAV. The Directors, in consultation with the Company's professional advisers, expect that the change will provide a better reflection of fair value.

Approval has been given by the Board of Directors to sell down the Company's Core Fund holding at an appropriate time now that pricing has returned to offer. Although this holding was particularly accretive to performance during the ramp-up phase, with a more mature portfolio the holding is now less relevant to the Company's strategy and the intention will be to reinvest the proceeds from any sale as quickly as possible back into direct property holdings.

## Research Personnel

Alan Patterson has joined the AEW UK team as Research Consultant following former Head of Research Sam Martin's decision to return to his native New Zealand earlier in the year. Alan is a leading real estate researcher and land economist, having served as the Chairman of the IPF Research Steering Group until 2015. He has predominantly worked as a head of direct property research most recently in AXA Real Estate Investment Managers. Alan will provide a valuable input to the business on both macro-economic issues and expected property industry trends.

|   | Location        | Sector     | Value Band<br>£m | WALT<br>to break/<br>expiry |
|---|-----------------|------------|------------------|-----------------------------|
| Acquired properties to 31 October 2016* |                 |            |                  |                             |
| Eagle Road                              | Redditch        | Industrial | 0-2              | 11.8/11.8                   |
| NCRC                                    | Swinton         | Industrial | 0-2              | 6.8/68                      |
| NCRC                                    | Mossley         | Industrial | 0-2              | 6.8/6.8                     |
| NCRC                                    | Milton Keynes   | Industrial | 0-2              | 6.8/6.8                     |
| Castle Business Park                    | Salisbury       | Industrial | 0-2              | 0/0                         |
| Cleaver House, Sarus Court              | Runcorn         | Industrial | 0-2              | 1.4/4.4                     |
| Stoneferry Retail Park                  | Hull            | Retail     | 2-4              | 5.3/5.3                     |
| 710 Brightside Lane                     | Sheffield       | Industrial | 2-4              | 8.5/13.5                    |
| Vantage Point                           | Hemel Hempstead | Office     | 2-4              | 3.6/7.9                     |
| Sarus Court                             | Runcorn         | Industrial | 2-4              | 2.7/4.1                     |
| Brockhurst Crescent                     | Walsall         | Industrial | 2-4              | 5.4/5.4                     |
| Barbot Hall Industrial Estate           | Rotherham       | Industrial | 2-4              | 2.2/2.2                     |
| Cranbourne House                        | Basingstoke     | Industrial | 2-4              | 3.2/3.2                     |
| Lea Green Industrial Estate             | St Helens       | Industrial | 2-4              | 8.9/8.9                     |
| Sandford House                          | Solihull        | Office     | 4-6              | 2.4/2.4                     |
| Fargate                                 | Sheffield       | Retail     | 4-6              | 4.6/7.5                     |
| Langthwaite Business Park               | South Kirkby    | Industrial | 4-6              | 0.5/1.0                     |
| Odeon                                   | Southend on Sea | Leisure    | 4-6              | 5.9/5.9                     |
| Oak Park                                | Droitwich       | Industrial | 4-6              | 6.0/6.0                     |
| Bank Hey Street                         | Blackpool       | Retail     | 4-6              | 7.2/9.7                     |
| Barnstaple Retail Park                  | Barnstaple      | Retail     | 6-8              | 7.4/7.4                     |
| Eastpoint Business Park                 | Oxford          | Office     | 8-10             | 6.6/9.1                     |
| 69-75 Above Bar Street                  | Southampton     | Retail     | 8-10             | 4.7/4.7                     |
| 40 Queen Square                         | Bristol         | Office     | 8-10             | 3.4/5.3                     |
| Wheeler Gate                            | Nottingham      | Office     | 8-10             | 3.6/4.3                     |
| Valley Retail Park                      | Belfast         | Retail     | 10-12            | 10.0/12.6                   |
| 225 Bath Street                         | Glasgow         | Office     | 12-14            | 3.6/6.4                     |
| AEW UK Core Property Fund               |                 |            | 8-10             | 4.4/5.5                     |

\*Figures as at Knight Frank Valuation 31 October 2016.

For further information on each of our properties, please visit [www.aewukreit.com](http://www.aewukreit.com).

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**AEW UK** is a 50/50 joint venture between AEW Global Limited and the AEW UK Management Team. AEW Global which includes AEW Europe and its affiliates and AEW Capital Management and its affiliates are amongst the largest real estate investment managers in the world with €48.1bn in global assets under management and are part of the Natixis Global Asset Management Group.

<sup>1</sup> Investors should note that the figures in relation to dividends and total returns set out in this document are for illustrative purposes only, are based on current market conditions and are not intended to be, and should not be taken as, a profit forecast or estimate. Actual returns cannot be predicted and may differ materially from these illustrative figures. There can be no assurance that they will be met or that any dividend or total return will be achieved. Target returns do not form part of the Company's investment objective or investment policy.

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