

# AVIVA INVESTORS SECURE INCOME REIT PLC

TARGETING INFLATION-LINKED DIVIDEND YIELD OF  
5.0% P.A.<sup>3</sup> AND TOTAL RETURN OF 7.0% P.A.<sup>3</sup>



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## TRANSACTION OVERVIEW

- Aviva Investors Secure Income REIT plc (the “Company” or “AISIR”) is a new UK REIT to be premium listed on the London Stock Exchange
- The Company will invest in a diversified portfolio of high quality, long lease commercial real estate assets located within the UK, leased to predominantly investment grade tenants<sup>1</sup>, typically with a minimum lease length of 10 years and a targeted weighted average lease length at the portfolio level of 15 years to expiry
- Target issue size of £200 million<sup>2</sup>
- On a fully invested and geared basis, the Company will target a dividend yield of 5.0% p.a.<sup>3</sup> by reference to the issue price, which the Company will seek to increase broadly in line with inflation, and a total return of 7.0% p.a.<sup>3</sup> over the medium-term
- The Company intends to maintain a level of borrowing with a medium term target of 30-35% of the Company’s gross asset value
- Investment management will be provided by the multi-award winning Real Estate Long Income team from Aviva Investors (the “Investment Manager”) **Past performance is not a guide to future returns**

## A DIFFERENTIATED INVESTMENT PROPOSITION

|  |   |
|--|---|
| <b>Leading Aviva Investors Platform</b>              | <ul style="list-style-type: none"> <li>– The Company will have access to the extensive real estate experience of Aviva Investors, the largest manager of UK commercial real estate<sup>4</sup> with over £24 billion under management<sup>5</sup></li> <li>– Cornerstone equity contribution from an Aviva group company of approximately 19.99% of the initial raise size</li> </ul>   |
| <b>High Quality Properties</b>                       | – The Company will target high quality UK commercial real estate assets diversified by sector and tenant base with intrinsic qualities including location, alternative use and strategic importance   |
| <b>Investment Grade Tenants<sup>1</sup></b>          | – In-depth tenant credit underwriting performed by credit analysts within Aviva Investors’ specialist Real Estate Finance team, which manages and monitors over £8 billion of UK commercial real estate loans, will help the Company to identify and evaluate secure and attractive tenants and long income investment opportunities  |
| <b>Long-Term, Inflation-Linked Returns</b>           | – Target returns underpinned by fully repairing and insuring lease agreements (or equivalent) with predominantly investment grade tenants <sup>1</sup> , with typically inflation-linked <sup>6</sup> upward only rental reviews or fixed uplift structures, with the aim of offering an inflation-protected yield with lower volatility and capital value risk than traditional real estate                                  |
| <b>Attractive Target Portfolio and Market Access</b> | <ul style="list-style-type: none"> <li>– Significant near term target portfolio of approximately £85million, currently consisting of four assets under exclusivity and/or advanced negotiations, with a strong, identified acquisition pipeline (excluding the target portfolio) of in excess of £400 million of additional assets</li> <li>– IPO proceeds expected to be deployed within nine months of Admission</li> </ul> |

## AVIVA INVESTORS – THE LARGEST MANAGER OF UK COMMERCIAL PROPERTY



All data as at 30 September 2017

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## TARGET PORTFOLIO

— Significant near-term target portfolio currently consisting of four assets under exclusivity and/or advanced negotiations

### ASSETS UNDER EXCLUSIVITY AND/OR ADVANCED NEGOTIATIONS

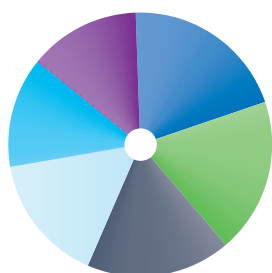
| Property Sector                   | Hotel       | GP Surgery   | Office       | Supermarket  |
|-----------------------------------|-------------|--------------|--------------|--------------|
| Location                          | South East  | South East   | North West   | South West   |
| Valuation                         | £20.3m      | £21.1m       | £22.0m       | £22.0m       |
| Net Initial Yield (NIY)           | 7.6%        | 4.4%         | 4.3%         | 4.8%         |
| Unexpired Lease Term              | 13.5 years  | 14.5 years   | 19.0 years   | 14.9 years   |
| Rent Review Terms                 | Annual RPIX | 5 Yearly RPI | 5 Yearly RPI | 5 Yearly RPI |
| Tenant Credit Rating <sup>1</sup> | BBB         | A            | BBB-         | BB+          |

£85M TARGET PORTFOLIO WITH A WEIGHTED AVERAGE NIY OF 5.6% AND WAULT OF 15.2 YEARS

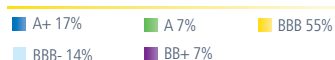
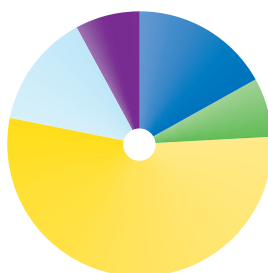
## TARGET AND PIPELINE PORTFOLIO

— In addition to the Target Portfolio, the Company has a strong, identified acquisition pipeline of in excess of £400 million  
— An illustrative portfolio based on the deployment of the target IPO proceeds and associated gearing is presented below

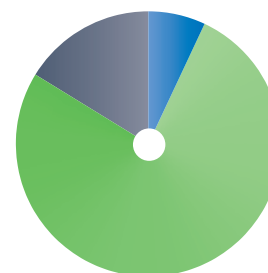
WELL DIVERSIFIED  
ASSETS, TENANT  
AND SECTOR<sup>7</sup>



PUBLIC AND PRIVATE SECTOR  
TENANTS WITH EXCELLENT  
CREDIT QUALITY<sup>8</sup>



CONSISTENT INCOME  
GROWTH OVER  
THE LONGER TERM<sup>9</sup>



c.£285m property portfolio

13 assets across 6 sectors

12 tenants across 7 industries

Independent credit analysis  
and underwriting

Analyse and monitor over £8bn  
real estate covenants

93% of tenants are rated BBB-  
and above<sup>8</sup>

100% income benefitting from  
inflation-linked<sup>6</sup>/fixed uplifts<sup>10</sup>

c.16 years average unexpired lease term

100% occupancy rate

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## RISKS

Detailed disclosure of such risks will be contained in the prospectus, which you should consider carefully.



### Market Fluctuations

The value of investments (and income) can go down as well as up and the extent of possible fluctuations are likely to increase in line with the amount of risk taken. Investors may receive back less than the amount originally invested.



### Target Returns

The Company may not meet its investment objective or achieve its targeted returns. There can be no assurance that any dividends will be paid in respect of any financial year or period and no guarantee as to the level of any future dividends to be paid by the Company.

The Company is newly formed and has not yet made any investments. The Company's targeted returns are based on estimates and assumptions that are inherently subject to significant uncertainties and contingencies, and the actual rate of return may be materially lower than the targeted returns.



### Property Valuations

The value of a property is a matter of the valuer's opinion rather than fact. Property may sell for less than it is valued which could reduce fund value.



### Property Related Securities

The market value of the shares may fluctuate independently of the net asset value per share, and may trade at a discount to net asset value.

The Company may be unable to make acquisitions (including the target portfolio). The Company can offer no assurance that it will be able to identify and make investments that are consistent with its investment policy or that it will be able to fully invest its available capital.

The Company's due diligence may not identify all risks and liabilities in respect of an acquisition.



### Taxation

If the Company fails to qualify, or remain qualified, as a REIT, its rental income and gains will be subject to UK corporation tax.

The Company's status as a REIT may restrict distribution opportunities to Shareholders.



### Liquidity

The Company's investments will be illiquid, which means they may be difficult for the Company to sell and the price achieved may be lower than prevailing valuations, causing the value of the portfolio to fall.



UK Property  
Investment Awards  
**WINNER 2016**



UK PROPERTY  
INVESTMENT AWARDS  
**2015 WINNER**



Past performance is not a guide to future returns

#### Source:

<sup>1</sup> Tenants are considered to be Investment Grade if their credit rating has been assessed as BBB- or better either by an independent ratings agency or internally by Aviva Investors Real Estate Finance.

<sup>2</sup> With the ability to increase the issue size to up to £250 million

<sup>3</sup> Dividend yield is on a fully invested and geared basis. Total return is on a medium term basis. These are targets only and not a profit forecast. There can be no assurance that the targets will be met and it should not be taken as an indication of AISIR's expected or actual future results. Accordingly, investors should not place any reliance on this targets in deciding whether or not to invest in AISIR and should decide for themselves whether or not the targets is reasonable or achievable.

<sup>4</sup> Estates Gazette, November 2016

<sup>5</sup> Aviva Investors as at 30 September 2017

<sup>6</sup> Inflation linked leases are linked to an inflation index such as RPI or CPI with potentially a minimum and maximum level

<sup>7</sup> Sector split is based on income.

<sup>8</sup> Based on internal analysis conducted on tenant credits and potential for default of pipeline portfolio by AIREF team as at 30 September 2017.

<sup>9</sup> The chart shows rent review exposure (as a proportion of contracted rent).

<sup>10</sup> Average fixed uplift 2% p.a.

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## KEY TERMS

|   |  |                       |  |
|---|--|-----------------------|--|
| Issuer                                    | – Aviva Investors Secure Income REIT plc (“AISIR”)   | Board of Directors    | – Fully independent Board of Non-Executive Directors chaired by Andrew Cunningham, the former Chief Executive Officer of Grainger plc  |
| Domicile                                  | – United Kingdom   | Asset Manager         | – Aviva Investors UK Fund Services Limited   |
| Structure                                 | – UK Real Estate Investment Trust (“REIT”)   | Management Fee        | – 0.75% p.a. on NAV up to and including £250m; 0.70% p.a. over £250m and up to and including £500m; 0.65% p.a. over £500m and up to and including £1bn; 0.60% p.a. over £1bn and up to and including £2bn and 0.55% p.a. above £2bn<br>– No fees charged on uninvested equity proceeds |
| Listing                                   | – Premium Listing on London Stock Exchange   | Leverage              | – Targeted leverage of 30-35% Loan to Value  |
| Issue Size                                | – Target issue size of up to £200 million with a cornerstone equity contribution of Aviva group company (19.99%) <sup>2</sup>  | Issue Costs           | – Max. 2% of gross proceeds  |
| Target Dividend <sup>(3)</sup>            | – Targeted initial 5.0% per annum upon full investment, paid quarterly<br>– Target 3.0p for the period between Admission and 31 December 2018<br>– Annual dividend growth broadly in line with inflation | Reporting / Valuation | – Half-yearly valuation by independent 3rd party valuer  |
| Target Total Return <sup>(3)</sup>        | – Targeted 7.0% total net return per annum over the medium term  | Share Buyback Powers  | – Share buy-back authority for up to 14.99% of issued share capital. Repurchased shares can be held in treasury. Return of disposal proceeds to shareholders if not re-invested within 12 months.  |
| Investment Timeline                       | – Initial target portfolio expected to be c.£85 million<br>– IPO proceeds expected to be deployed within nine months of Admission  |                       |  |
| Bookrunner, Sponsor and Financial Adviser | – Jefferies International Limited  |                       |  |

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