

Quarterly Update

Q2 18



AREF/IPD Performance Award
5-year, risk-adjusted, relative return

AEW UK Core Property Fund | Best risk-adjusted return over a 5-year period to Q2, 2017 relative to the AREF/IPD UK Quarterly Property Fund Index (UK PFI)

WINNER

Fund Highlights

- The Fund was awarded the European Property Investor Awards 2018 for Core Fund of the Year by Property Investor Europe
- Over one, three and five years the Fund was the top performing balanced fund with an annualised total return of 13.3%, 11.1% and 14.9% respectively¹
- Average outperformance of 4.3% p.a. over 5 years and 4.9% p.a. since inception against the MSCI benchmark¹
- Annualised distribution yield of 5.4%¹
- Investor interest in due diligence c.£20m-£50m



¹ Source: AREF/IPD All Balanced Property Fund Index – to 30 June 2018.

Market Outlook

In an uncertain market, primarily due to Brexit, we are pleased that performance continues to be strong with a total return of 3.4% in the second quarter of 2018 whilst maintaining the joint highest distribution yield in the Fund’s peer group at 5.4%. Another strong quarter maintains the Fund’s position as the top performing fund in the benchmark over one, three and five years and is driven primarily by business space assets dominating the depressed returns in the retail sector.

We continue to be very active in repositioning the portfolio as warehouses continue to experience a bull market and conversely retail a bear market simultaneously. In 2017 the portfolio team identified 12 assets for disposition. Seven were sold in 2017 (at an average of 43% above purchase price) and so far three have been sold in 2018 (at an average of 30% above purchase price). These were a mixture of good investments in the business space sector where we were locking in strong performance and some poorer performing assets in the retail sector. The team are now reinvesting these proceeds back into new assets with good fundamentals which should provide out performance and a steadily increasing distribution yield for investors going forwards.

Investor interest in the Fund seems to be increasing as the positive track record continues to be under pinned by good stock selection against the back drop of market uncertainty.

Performance

Investment Performance %	3 mths	6 mths	9 mths	1 yr	3 yrs	5 yrs
AEW UK Core Property Fund	3.4	6.0	9.7	13.3	11.1	14.9
Weighted Average	2.0	3.9	7.1	9.7	7.6	10.6
Upper Quartile	2.6	5.0	8.4	11.2	9.0	11.7
Median	2.1	4.4	7.8	10.3	8.0	11.2
Lower Quartile	1.8	3.7	6.5	9.4	7.5	10.0
Funds in Index	26					

Source: All Balanced Property Fund Index – AREF/IPD UK Pooled Property Fund Index for the period ending 30 June 2018.

Q2 Asset Management

Barlow Road, Coventry

After protracted negotiations, we have successfully agreed a new 5 year lease renewal with the tenant GWI. No incentive or capex was granted as part of the transaction. The rent agreed reflected a 21% increase on the previous passing rent.

River Court, Woking

Permitted development rights from office to residential has recently been achieved, substantially increasing the property’s valuation as an alternative use has been secured.

Fully let industrial estates

Over the past quarter we have achieved further lettings at our Bristol and Glasgow industrial estates, taking them both to a 100% occupancy level.

Q2 Disposals

Portsmouth

- 6,298 sq ft fully let high street retail unit
- Located in a prime position on Commercial Road, Portsmouth
- Sold for £2,150,000



River Court, Uxbridge

- 22,585 sq ft fully let office building
- Located in Uxbridge an established South East commuter town
- Sold for £7,050,000



G R E S B
★ ★ ★ ★ ★ 2017

Fund Facts

Portfolio Manager

Richard Tanner



Fund objective

To provide investors with exposure to a diversified, multisector portfolio of commercial property assets throughout the UK. The Fund seeks to achieve superior investment returns through relatively high income returns, strong stock selection and active management of all assets.

Launch date: Q1, 2012

Fund structure

An FCA regulated, open ended, core-style property fund. PAIF QIS

Benchmark

All Balanced Property Fund Index – AREF/IPD UK Quarterly Property Fund Index – weighted average

Fund size (Net Asset Value): £277.0m

Triple net initial yield (% p.a.): 6.93%

Reversionary Yield: 8.02%

Reinvestment: Yes, quarterly

Number of investors: 49

Number of AEW employee investors: 4

Number of properties acquired: 67

Number of properties under offer: 2

Gearing (% of NAV): 0.0%

Total expense ratio: 1.13%

Capital Cash holdings (% of NAV): 3.30%

Single price

NAV price – £1.3095

Single price – £1.3985

Subscriptions and redemptions

Monthly – subject to ability to defer

Annual management charge: 0.7% p.a.*

Distribution dates

Income is allocated to investors quarterly and paid within two months of the end of the quarter during which they were earned.

* Performance fee

The Authorised Corporate Director (ACD) is entitled to a performance fee of 0.25% of the Net Asset Value p.a., if the AEW UK Core Property Fund is ranked in the top ten funds of the All Balanced Property Funds Index – AREF/IPD UK Property Fund Index over a three year rolling period and if the return is positive.

Key contact



New investors

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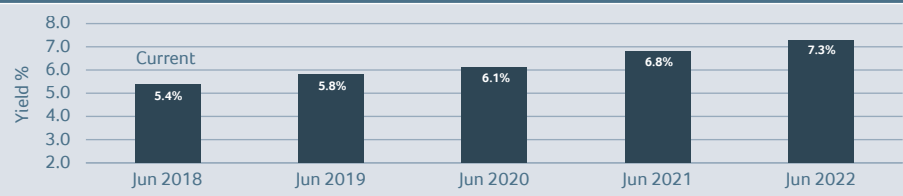
Existing investors

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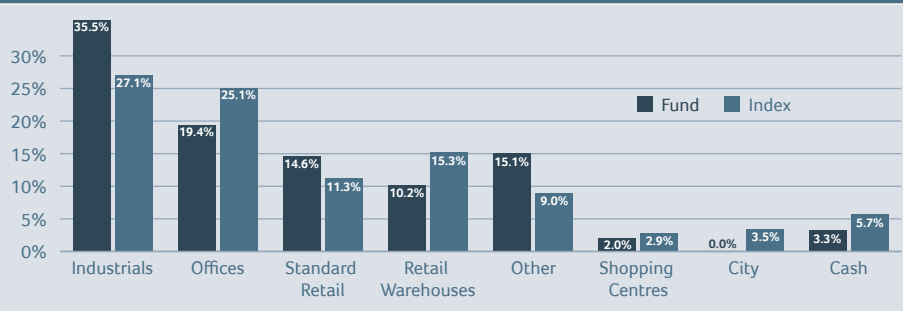
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Current and forecast yield

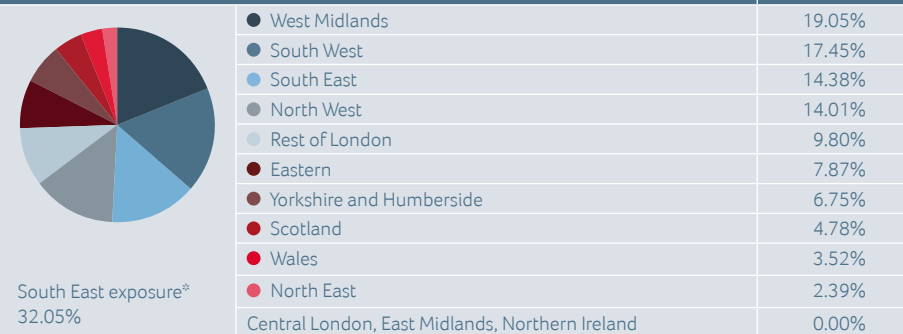


Source: Current distribution yield – AREF/IPD UK All Balanced Property Funds Index. Projected annual distribution yield – Calculated by AEW and based on NAV as at 30 June 2018. Note: These projections are subject to change and there is no guarantee that forecast dividends will be achieved.

AREF/IPD sector weightings



AREF/IPD geographical weightings



* Geographical restriction: not less than 25% exposure to the South East of the UK as defined by AEW UK (South East, Eastern and Rest of London).

Lease Profile – AEW UK Core Property Fund against the All Balanced Property Fund Index – IPD UK PFFI	AEW UK Core Property Fund	PPFI
Average weighted unexpired lease term to break	4.3 years	7.3 years
Average weighted unexpired lease term to expiry	5.8 years	8.5 years

Source: Figures calculated by IPD for AEW; IPD benchmark figures include funds within the All Balanced Property Fund Index. IPD ©2015 All rights reserved. AEW UK Core Property Fund data (properties exchanged and completed) and IPD data as at 30 June 2018.

Risk and volatility statistics	Annualised quarterly data	
	Q2, 2018	Q1, 2018
Absolute standard deviation	3.34%	3.41%
Tracking error	1.82%	1.86%
Information ratio	2.66	2.59
Beta	0.93	0.93

Source: Based on annualised data since inception and calculated by the AEW Capital Management Research Team. Benchmark is the All Balanced Property Funds Index – AREF/IPD UK Property Fund Index. These statistics are provided for information purposes only and cannot be relied upon in relation to any decision. All data provided should be considered in the light of the age and size of the Fund. The above statistics are based on annualised quarterly data since the Fund's inception. It can be considered a small sample and as a result the statistics may not be meaningful.

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