

Quarterly Update

Q2 21

Open-ended fund with a diversified, multi sector portfolio of commercial property assets throughout the UK. AEW UK Core Property Fund aims to achieve superior investment returns through relatively high income returns, strong stock selection and active management of all assets.



Key Statistics

£297.1m

Fund size
(Net Asset Value)

4.6%¹

Annualised
distribution yield

62

Number of properties

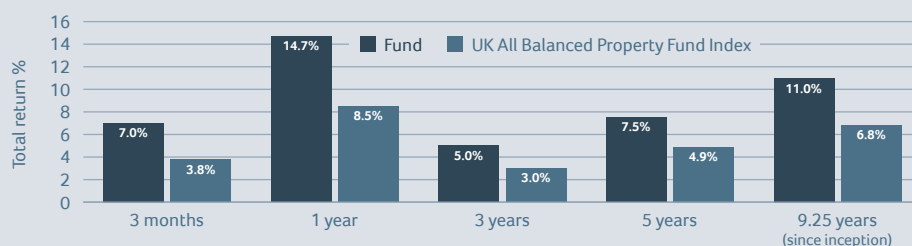
6.3 years

WAULT to expiry

¹ Due to the unprecedented circumstances around COVID-19, a provision for doubtful debt is being recognised for any outstanding arrears that relate to the period.

Performance

AEW UK Core Property Fund is the top performing fund over 3, 6, 9 months and 1, 3 and 5 years



All Balanced Property Fund Index – MSCI/AREF UK Quarterly Property Fund Index – to 30 June 2021.

Market Update

The vaccine rally, and expectations that remaining restrictions were close to being removed, has ignited interest in much of UK real estate. Price rises are strong in a number of sectors, such as warehousing, which is feeding through to rapid increases in land prices. The retail and leisure sectors, hard hit by the pandemic, are also witnessing increased investor interest. Valuations struggle to keep up with actual market prices in fast moving markets, as you can see from the activity below. Meanwhile, the moratorium of forfeiture proceedings has been extended until Q1 2022, making rent collection more difficult.

During the period, the Fund has been marketing approximately £80m worth of warehouse assets as part of a larger portfolio. Investor interest, unsurprisingly, is strong and the price achieved has been partially reflected in this quarter's valuations, but was approximately 20% over the previous month's numbers. The capital received will be available for reinvestment, but in the short term will result in higher cash weightings than normal. The proceeds will be, in part, reinvested into refurbishment or extensions of existing warehouse holdings and, in part, into holdings in our biggest cities, like the recent Birmingham acquisition. In the retail and leisure sectors, we see market valuations still trending lower, but for strong assets, like Birmingham, transaction prices are rising.

AEW UK Update

AEW UK Investment Management LLP ("AEW UK") was established as a joint venture between AEW in Europe ("AEW") and AEW UK Management Team¹. Pursuant to the terms of the joint venture agreement, AEW has issued a call notice to Evergreen² in respect of the potential purchase of the Evergreen interests in AEW UK such that following a transaction AEW would own 100% of AEW UK. The respective management teams are in discussions to ensure that any transaction has minimal impact on clients and AEW remains committed to building on the successful UK platform that has been established in partnership with the UK management team.

Asset Management

Dudley St, Wolverhampton

We have completed a lease renewal to Holland & Barrett for a further 5 years term certain at the market rent.

Bold St, Liverpool

We have completed a reversionary lease to Crust Ltd providing a new unbroken 15 year lease from 2022 at the market rent subject to RPI linked reviews collared and capped at 1% and 4%.

Centre 27, Birstall

Having achieved vacant possession of the office park, we subsequently demolished the eight office buildings and secured planning for retail

warehousing. We have now exchanged, subject to a revised planning application, on the sale of the property to Lidl at a price of £4.2m, £2.6m in excess of the May 2020 valuation.

Acquisition



Five Ways, Birmingham

- Purchase price £25.1m/£117 per sq. ft.
- Established night-time leisure location
- Walking distance of key commercial centres of Brindley Place, Edgbaston, Paradise and Birmingham CBD
- Long leases with WAULT of 11 years
- Intention to repurpose upper levels to residential or other higher value alternative use
- Strong residential demand for both private purchase and rental

1. AEW UK Management Team comprises Richard Tanner, Rachel McIsaac and Nick Winsley.
2. The legal entity which holds the AEW UK Management Team and other senior employees interest in AEW UK.

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

SRI policy: [Click here](#)

Benchmark

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

Fund size (Net Asset Value): £297.1m

Triple net initial yield (% p.a.): 5.8%

Reversionary Yield: 8.1%

Reinvestment: Yes, quarterly

Number of investors: 52

Number of AEW employee investors: 3

Number of properties: 62

Occupancy rate: 84.1%

Property purchases under offer: 0

Property sales under offer: 12

WAULT to expiry (to break):

6.3 years (5.0 years)**

Gearing (% of NAV): 5.0%

Total expense ratio: 0.89%

excludes performance fee*

Capital Cash holdings (% of NAV): 0.7%

Single price

NAV price – £1.3113 Single price – £1.4005

For historical pricing please see www.aewuk.co.uk

Subscriptions and redemptions

Monthly – subject to ability to defer

Annual management charge: 0.7% of NAV 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 0.0625% per quarter if the AEW UK Core Property Fund is ranked in the top ten funds of the All Balanced Property Funds Index – MSCI/AREF UK Property Fund Index over a three year rolling period and if the return is positive.

** Source: AEW as at 30 June 2021.

MSCI/AREF geographical weightings

South East exposure: 28.5%*

* 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).

Disposal

School Brow Retail Park, Warrington

- Freehold
- 2 retail units (formerly comprising 3 units at purchase)
- 21,033 sq. ft.
- One unit income producing providing rent of £95,500 p.a. (upon expiry of rent free)
- Retail warehouse park located close to Warrington Town Centre

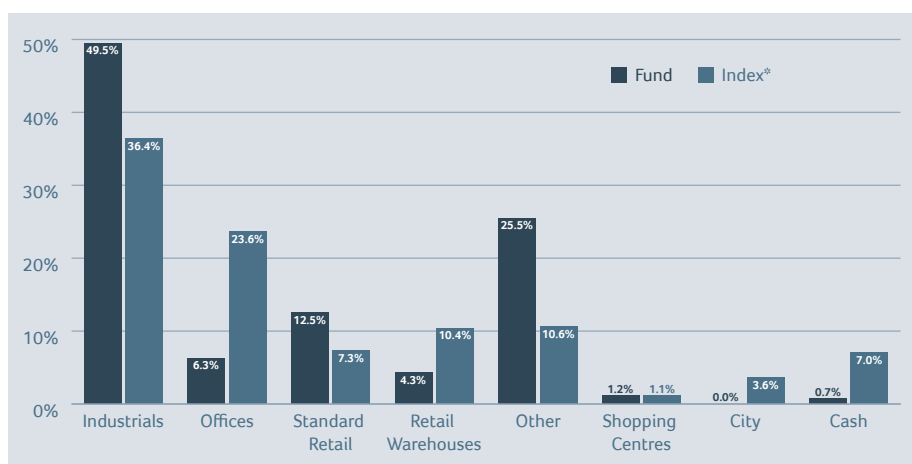
Top 10 Tenants (by income)

DHL Supply Chains Ltd	8.2%
Bestway Ltd	5.2%
The Deltic Group Ltd	4.5%
Cineworld	4.5%
Cooper Tire & Rubber Company Europe Ltd	4.3%
Whitcroft Lighting Ltd	2.8%
Cine-UK Ltd	2.7%
New Look Retailers Ltd	2.5%
George Wilson Industries Ltd	2.4%
David Lloyd Leisure Ltd	2.2%

Top 10 Assets (by value)

Fiveways, Birmingham	8.1%
Kayley Industrial Estate, Manchester	6.9%
DHL Stanton, Bury St Edmunds	5.8%
Spectrum Mead Way, Swindon	4.4%
Weston Road, Crewe	4.4%
Hengrove Leisure Park, Bristol	4.4%
Broadmead & Merchant Square, Bristol	4.2%
London East Leisure Park, Dagenham	3.5%
Intec Business Park, Basingstoke	2.9%
Grazebrook Industrial Park, Dudley	2.8%

MSCI/AREF sector weightings



* Source: MSCI/AREF UK Quarterly Property Fund Index – to 30 June 2021.

Key contact



Investor Relations

Kari Clarke

kari.clarke@eu.aew.com

T: 020 7016 4804

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