

Quarterly Update

Q3 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

£315.6m

Fund size
(Net Asset Value)

4.8%

Annualised
distribution yield

53

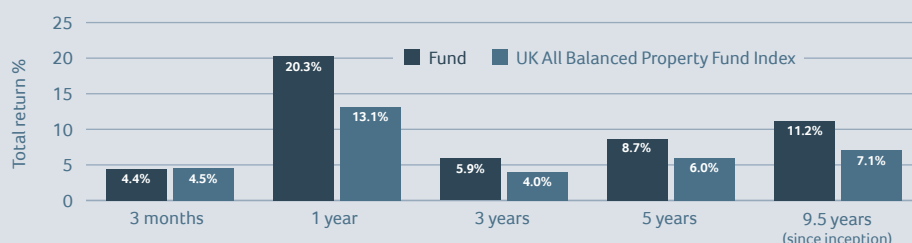
Number of properties

6.2 years

WAULT to expiry

Performance

AEW UK Core Property Fund is the top performing fund over 1, 3, 5 and 9.5 years (since inception).



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

Market Update

18 months ago in early lockdown who would guess that by now property rents would be in vintage year territory.

With the Fund 12 month returns over 20%, it is only in four other years that we have achieved above 20% in my 26 years of running open-ended Funds.

Inflation is an increasing worry to investors and rising interest rates, that may well lie ahead, are of concern to real estate investors short to medium term. Whilst it is uncertain if this will be brief and transitory or longer term, the rotation of the portfolio to more prime major urban environments should be defensive longer term. We are busy reinvesting the proceeds from the recent industrial portfolio sale and expect to have more proceeds to reinvest following the very profitable asset management sales currently in the pipeline.

AEW UK Update

As mentioned in our last quarterly report, AEW has exercised its option to buy the remaining 50% of AEW UK Investment Management LLP. I can confirm, as we announced on Friday 29th October, that this deal has now completed.

Since the creation of the joint venture, AEW UK has grown its assets under management to £1.8bn as at 30 June 2021 across a range of funds and separate accounts. AEW is committed

to continuing to grow the AEW UK business working with the management team to raise further capital across its strategies. As part of the transaction AEW is transitioning the leadership of AEW UK with Nick Winsley being appointed it's new Head.

As part of the transaction I have been asked, and I have agreed, to continue as Portfolio Manager for the AEW UK Core Property Fund as a full time employee for the next 3 months and thereafter on a part time basis, with the intention to transition this role, over time, to a new Portfolio Manager. I will also continue my role on the AEW UK Investment Management Committee for the foreseeable future. I am currently in discussions with Nick with regards to the management of the Fund and my longer term commitment, and we will update you as soon as we have agreed the way forward.

Asset Management

Hengrove Leisure Park, Bristol

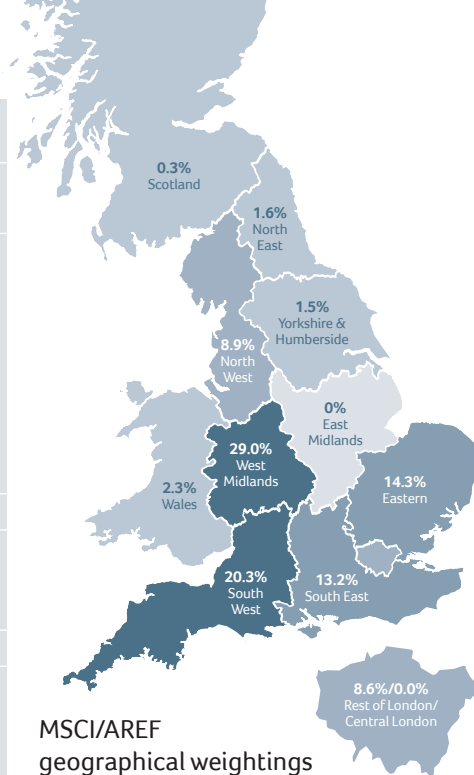
The outline planning application for the proposed redevelopment of Hengrove Leisure Park has been approved by Bristol City Council. The outline application includes the development of up to 350 new homes, including 1 and 2-bedroom apartments and a combination of 2, 3 and 4-bedroom town houses. 30% of the proposed development will be allocated to affordable housing for rent or sale, ensuring that members of the local community can remain living in the area.



The proposal offers an opportunity for a modern, sustainable urban lifestyle, with the plans being formed around a central pedestrian and cycle link, a green spine. This will connect the new neighbourhood at Hengrove Leisure Park with Hengrove Way, the local bus network, surrounding play facilities, retail and leisure facilities and adjacent green space. In addition to the development offering car free zones, green connections and trees, the proposed new homes will use air source heat pumps and other sustainable energy solutions.

We have received an offer for the asset from a joint venture between a registered provider and residential developer.

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): £315.6m	
Triple net initial yield (% p.a.): 5.9%	
Reversionary Yield: 8.1%	
Reinvestment: Yes, quarterly	
Number of investors: 52	
Number of AEW employee investors: 3	
Number of properties: 53	
Occupancy rate: 82.1%	
Property purchases under offer: 1 under offer	
Property sales under offer: 0	
WAULT to expiry (to break): 6.2 years (4.8 years)**	
Gearing (% of NAV): 0.0%	
Total expense ratio: 0.89% excludes performance fee*	
Capital Cash holdings (% of NAV): 19.4%	
Single price NAV price – £1.3463 Single price – £1.4378 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.	
Knight Frank fee The fee paid to Knight Frank, as the Fund's standing independent valuer, has increased from 0.05% per annum of the property valuation to 0.065% per annum. This takes effect from 1 November 2021 and reflects an increase in the scope of work performed by Knight Frank, being to perform annual rather than 3 yearly internal inspections.	
* 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 September 2021.	



MSCI/AREF geographical weightings

South East exposure: 36.1%*

* 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).

Top 10 Tenants (by income)

DHL Supply Chains Ltd	9.7%
Cineworld/Cine-UK Ltd	8.5%
The Deltic Group Ltd	5.3%
Cooper Tire & Rubber Company Europe Ltd	5.1%
Bestway Ltd	4.3%
George Wilson Industries Ltd	2.8%
David Lloyd Leisure Ltd	2.6%
National Veterinary Services Ltd	2.4%
Atrium 100 Stores Limited	2.3%
Vue Entertainment Ltd	2.3%

Top 10 Assets (by value)

Fiveways, Birmingham	9.9%
DHL Stanton, Bury St Edmunds	7.0%
Hengrove Leisure Park, Bristol	5.7%
Spectrum Mead Way, Swindon	5.4%
Weston Road, Crewe	5.3%
Broadmead & Merchant Square, Bristol	4.9%
London East Leisure Park, Dagenham	4.6%
Intec Business Park, Basingstoke	4.1%
Grazebrook Industrial Park, Dudley	3.9%
Pryzm, Kingston upon Thames	3.1%

Disposal

Titan – Industrial Portfolio

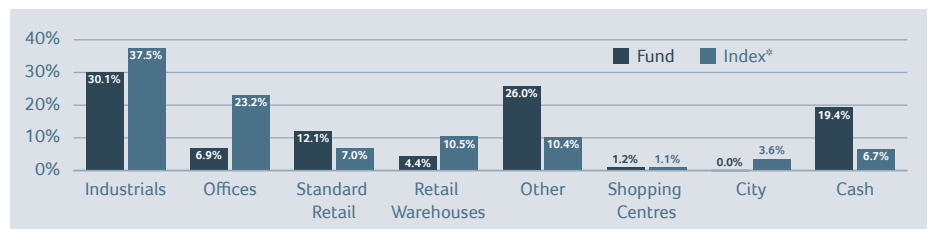
AEW UK has completed the sale of The Titan Portfolio which comprised 16 industrial and logistics assets for £132m from three of our managed mandates. The Core Fund assets amounted to circa £80million.

The portfolio comprised nearly 1.8 million sq ft of space located in strong regional locations across the UK, substantially let on short term leases with a WAULT to break of 3 years. The sale price reflects a portfolio yield of 5.9% and £72 per sq ft capital value.



The properties have been sold at considerable premiums to valuation and crystallise returns of up to 30% IRR over the last 5 to 10 years.

MSCI/AREF sector weightings



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

Key contact



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