

Quarterly Update

Q4 20

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

£275.3m

Fund size
(Net Asset Value)

4.6%¹

Annualised
distribution yield

65

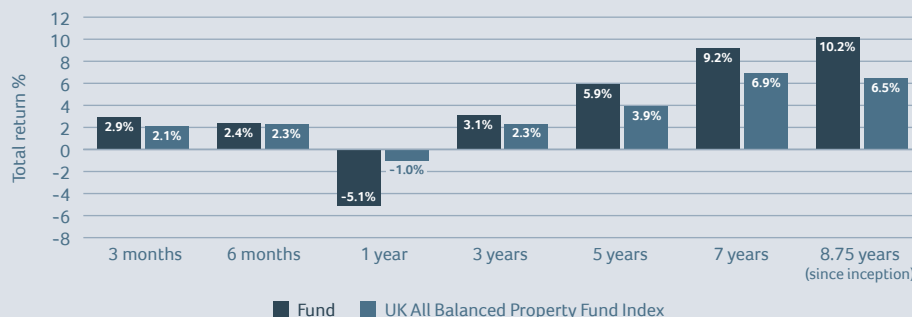
Number of properties

5.5 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. Rent collection in 2020 averaged over 88%.

Performance



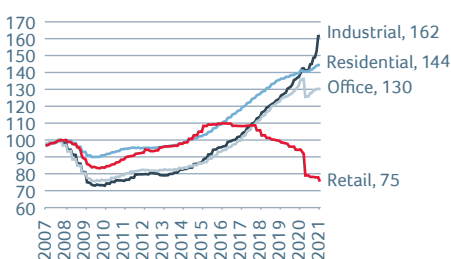
All Balanced Property Fund Index – MSCI/AREF UK Quarterly Property Fund Index – to 31 December 2020.

Market Update

Much will be written in future years about COVID-19 and 2020. For real estate markets it's been a period of significant volatility. At the start of the year we could have perhaps hoped for a brighter year post Brexit. By spring lockdowns were gripping the world and Brexit negotiations seemed to be difficult, with markets going into shock. During the last quarter we have had both a Brexit deal and vaccines approved which has for many assets, such as warehouses, caused prices to move strongly upwards.

Whilst we are in the middle of another lockdown driven by the new virus variant and seeing the fallout from Brexit with our European trading relationship, barring a new shock, the UK property markets should look even brighter by spring. Rather than heralding a new era, where we all work from home, don't socialise and buy on line, it seems that we are seeing an increasing

Green Street Pan-European Property Sector Indexes (Local Currency)



Source: Green Street, Pan-European Commercial Property Price Index, 11 January 2021.

desperation to resume our old lives as witnessed in the Government's frustration around enforcing lockdowns. This matters as real estate markets are still very much pricing in trends that have been exacerbated by COVID-19, shown in the graph below as being permanent.

As a value manager, we look for opportunities where pricing and risk adjusted future returns start to disconnect. Fundamentally, if we expect something akin to normal life returning, pricing of retail and leisure buildings in our biggest most economically active cities looks under-priced and many warehouses, which have served our portfolio well over many years, look over-priced.

Fund Update

Future months are likely to be particularly active for the Fund as tenants reposition themselves for a post COVID-19 year. This can be demonstrated with the purchase of one of our large nightclub operators, Deltic, by the Nordic firm Rekom, which along with a number of other operators, are clearly expecting a recovery in this hard hit sector. Whilst the insolvency process has been heavily used by tenants in the retail and leisure sectors to reduce costs during COVID-19, this comes with shorter security of occupation, which may help with some normalisation of rents again, in the favour of landlords as markets recover.

Inevitably, there will be some weaker retail and leisure properties that are no longer commercially viable, but this is where we look to alternative uses. A recent example of this is the department

store in Bournemouth which we sold last year to a residential developer, achieving an attractive price.

Returns for the quarter have improved, led by warehouse/industrial sectors which we expect to continue in the short term.

Asset Management

Wallows Hill Industrial Estate, Brierley Hill

We have completed a 5 year reversionary lease of our 111,309 sq ft industrial unit in Brierley Hill. In May 2021 the rent will increase from £435,000 p.a./£3.91 psf to £473,063 p.a./£4.25 psf.

Royds Lane, Leeds

We have completed two 10 year lease regears. One at a rent of £78,000 p.a. and the other £98,000 p.a., equating to £3.99 psf and £4.17 psf respectively. Both leases are outside the 1954 Act.

St Mary's Square, Swansea

We have secured a further three years of income from HMV at a turnover rent of 6%. The lease provides a landlord rolling break option, allowing for a new letting to be achieved on improved terms, or vacant possession should we decide to sell to an owner occupier or the Council as part of their strategic redevelopment of the city centre.

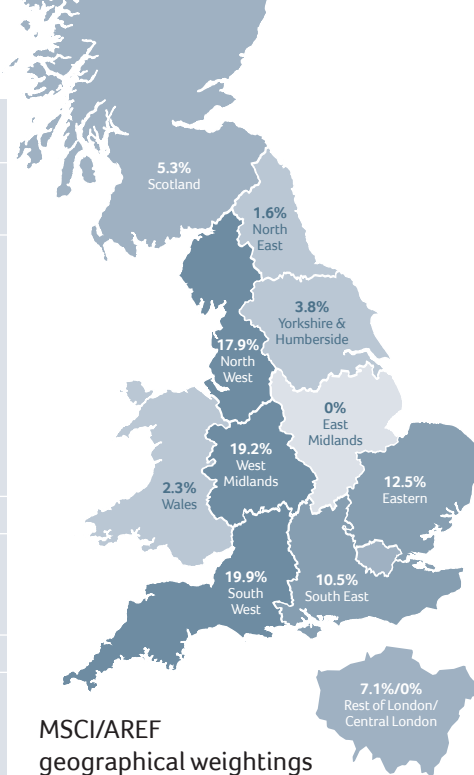
Anglo Office Park, High Wycombe

We have completed a new letting at £15 psf, which is at a £4.50 psf premium to ERV.

Above Bar Street, Southampton

We have completed a lease renewal to Trespass, securing a further 3 years at a rent of £60,000 p.a.

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): £ 275.3m	
Triple net initial yield (% p.a.): 6.7%	
Reversionary Yield: 8.5%	
Reinvestment: Yes, quarterly	
Number of investors: 51	
Number of AEW employee investors: 3	
Number of properties: 65	
Occupancy rate: 86.1%	
Property purchases under offer: 2	
Property sales under offer: 3	
WAULT to expiry (to break): 5.5 years (4.2 years)**	
Gearing (% of NAV): 1.8%	
Total expense ratio: 0.91% excludes performance fee*	
Capital Cash holdings (% of NAV): 2.7%	
Single price NAV price – £1.1971 Single price – £1.2785 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 31 December 2020.	



MSCI/AREF geographical weightings

South East exposure: 30.1%*

* 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)

Tenant	Income %
DHL Supply Chains Ltd	8.2%
Bestway Ltd	5.2%
The Deltic Group Limited	4.5%
Cooper Tire & Rubber Company Europe Ltd	4.3%
Vue Entertainment Ltd	3.7%
Whitcroft Lighting Ltd	2.8%
Cine-UK Ltd	2.7%
George Wilson Industries Ltd	2.4%
David Lloyd Leisure Limited	2.2%
National Veterinary Services Ltd	2.0%

Top 10 Assets (by value)

Asset	Value %
Kayley Industrial Estate, Manchester	6.2%
DHL Stanton, Bury St Edmunds	5.7%
Spectrum Mead Way, Swindon	4.8%
Broadmead & Merchant Square, Bristol	4.7%
Weston Road, Crewe	4.2%
Hengrove Leisure Park, Bristol	4.1%
London East Leisure Park, Dagenham	3.3%
Pryzm, Kingston Upon Thames	2.9%
Oak Furniture Land, Swindon	2.7%
Jamage Industrial Estate, Stoke-on-Trent	2.5%

Acquisitions

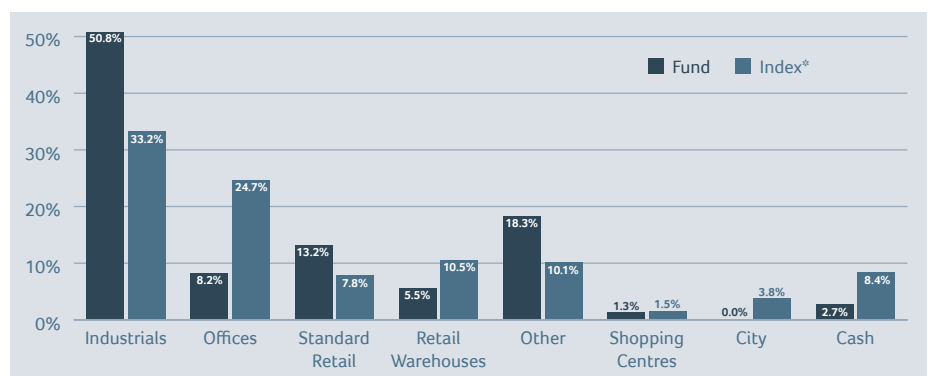
DHL, Stanton

- Located within close proximity to Felixstowe Port
- Fully let to DHL
- Yield of 10.9%
- Low capital value p/f and low price per acre
- Potential to develop on the current open storage part of the site
- Change of use to residential over the long term

Debenhams, Chelmsford

- Chelmsford is an affluent south east commuter town
- Significant 1.2 acre site providing 127,000 sq. ft. of accommodation in the retail core and close to the train station
- Low capital value and a significant discount compared to historic capital values
- Optionality
- Change of use to leisure, office and residential
- Initial interest from two national retailers for GF space
- Interest in upper parts from leisure operators

MSCI/AREF sector weightings



* Source: MSCI/AREF UK Quarterly Property Fund Index – to 31 December 2020.

Key contact



Investor Relations
Kari Clarke
kari.clarke@eu.aew.com
T: 020 7016 4804

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