

Quarterly Update

Q2 22

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

£344.3m

Fund size
(Net Asset Value)

4.1%

Annualised
distribution yield

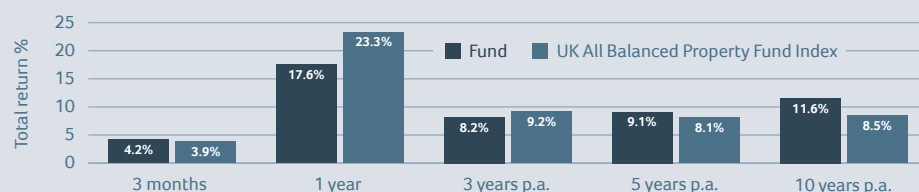
58

Number of properties

5.8 years

WAULT to expiry

Performance



All Balanced Property Fund Index – MSCI/AREF UK Quarterly Property Fund Index – to 30 June 2022.
Past performance is not a guide to future performance.



Market Update

UK property markets have been rattled by the combination of rising interest rates and slowing economy as demonstrated in the share prices of a variety of REITs. The most loved sectors of recent years, such as logistics, have sold off with a smaller buyer pool. Development sites, that are vulnerable to both of these forces and inflation too, have probably taken the biggest hit. That said, commodity prices have fallen from their recent highs and, unless this changes, we can perhaps hope that inflation doesn't become too embedded and starts to moderate by Christmas.

Returns remain strong and, as yet, our asset management deal pipeline seems only moderately impacted by the changes in the economy.

Core Plus Update

The core plus transition happened on the 1st July, as planned, with our new investor transacting with two exiting investors for c £85m. The Fund completed on a new debt facility with AgFe, of which £30m was funded in August and used to repay the existing facility with Lloyds. The £30m drawdown represents the initial loan commitment, which subject to the lenders consent can be increased up to a commitment of £94m. Performance of the Fund remains, as per last quarter, although a stronger relative Q2.

Acquisitions

Broad Street Mall, Reading

In June, the Fund completed on the purchase of Fountain House and part of Broad Street Mall in Reading, alongside the Urban Real Estate

Fund. The entire property comprises a shopping centre and two office buildings (Fountain House & Quadrant House) within the town centre, a short distance from the train station. The asset benefits from a planning consent for redevelopment to the south, for 422 residential units and 101-bed hotel, as the first phase of the wider 1,300-unit Minster Quarter Masterplan.

The Core Property Fund has acquired the north west section of the property, comprising a 7-storey office building (62,400 sq ft) and a leisure-anchored section of the wider shopping centre, amounting to 131,748 sq ft total floorspace. The asset is multi-let to 19 tenants providing 7.4 years WAULT to breaks and benefits from recent refurbishment works to both office and 'Biscuit Factory' leisure space. It provides a blend of longer term income certainty and medium term asset management opportunities to grow income, particularly at Fountain House, from an attractive net initial yield at acquisition of 7.4%.

Asset Management

Block L, Peartree Lane Business Park, Dudley

During the quarter, the Fund completed a new straight 5 year lease to Signode UK Limited at Peartree Business Park, Dudley. The terms reflect an increase in rent from a passing rent of £4 per sq ft to £6.50 per sq ft and 50p per sq ft above ERV. The financial strength of this covenant secured for a further 5 years at above ERV has resulted in a £750,000 uplift in value for the property.

Costa Drive Thru, Hengrove Leisure Park, Bristol

The Fund has completed the development of a new 1,800 sq ft, A3 Pod on previously unused

brownfield land. The pre-let to Costa Coffee was based off a lease term of 15 years at a rent of c.£90,000 p.a. As part of the development, the Fund planted new trees, achieved a high EPC rate and installed solar panels on the roof.



Broad Street Mall, Reading



Block L, Peartree Lane Business Park, Dudley



Costa Drive Thru, Hengrove Leisure Park, Bristol

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): £344.3m

Triple net initial yield (% p.a.): 5.3%

Reversionary Yield: 7.5%

Reinvestment: Yes, quarterly

Number of investors: 48

Number of AEW employee investors: 3

Number of properties: 58

Occupancy rate: 86.7%

Property purchases under offer: 2

Property sales under offer: 2

WAVLT to expiry (to break):

5.8 years (4.8 years)**

Gearing (% of NAV): 3.5%

Total global expense ratio (% of NAV): 0.94%
excludes performance fee*

Capital Cash holdings (% of NAV): 1.5%

Single price

NAV price – £1.4773 Single price – £1.5778

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.

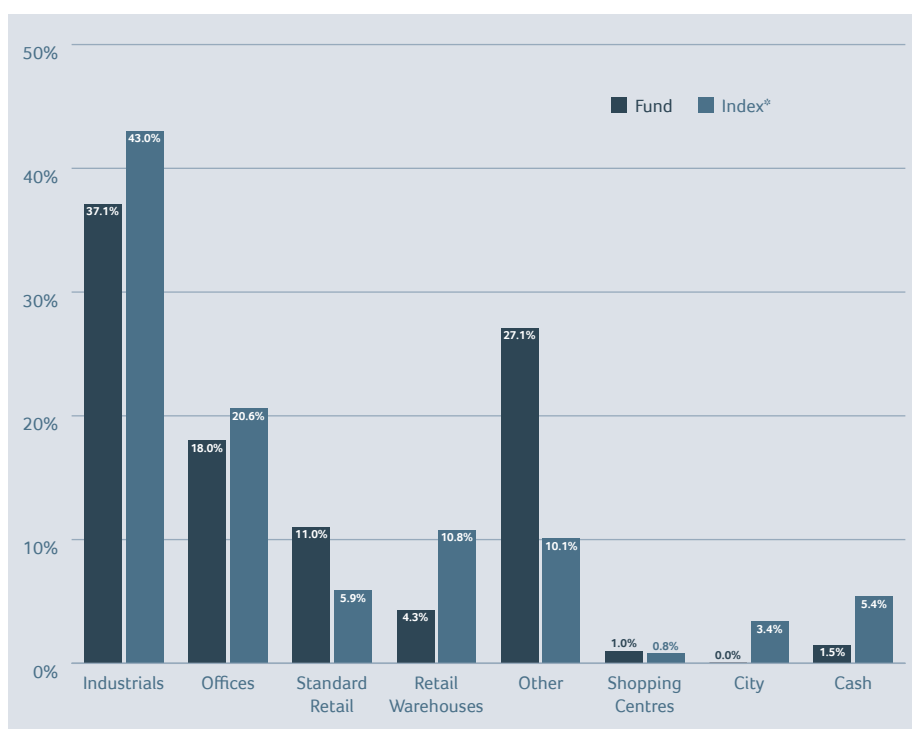
** Source: AEW as at 30 June 2022.

MSCI/AREF geographical weightings

South East exposure: 40.1%*

* 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).

MSCI/AREF sector weightings



* Source: MSCI/AREF UK Quarterly Property Fund Index – to 30 June 2022.

Key contact



Investor Relations

Kari Clarke

kari.clarke@eu.aew.com

T: 020 7016 4804

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Top 10 Tenants (by income)

Cineworld/Cine-UK Ltd	9.4%
DHL Supply Chains Ltd	8.4%
CC STIM UK Tradeco 5 Ltd	5.5%
Bestway Ltd	3.7%
George Wilson Industries Ltd	2.4%
Secretary of State	2.3%
Euro Car Parks Ltd	2.3%
David Lloyd Leisure Ltd	2.3%
National Veterinary Services Ltd	2.1%
Atrium 100 Stores Ltd	2.0%

Top 10 Assets (by value)

Fiveways, Birmingham	8.0%
DHL Stanton, Bury St Edmunds	6.8%
Broad St Mall/Fountain House, Reading	6.0%
Weston Road, Crewe	5.7%
Grzebrook Industrial Park, Dudley	5.2%
London East Leisure Park, Dagenham	4.4%
Spectrum Mead Way, Swindon	4.4%
Hengrove Leisure Park, Bristol	4.2%
Four Ashes Industrial Estate, Wolverhampton	3.7%
Mill Square & Mill Court, Milton Keynes	3.6%

