

Quarterly Update

Q3 17



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

- Over 1,3 and 5 years top performing fund with an annualised total return of 14.4%, 12.2% and 14.4% respectively¹
- Average out performance of 4.9% p.a. over 5 years against the benchmark
- GRESB – 12% year-on-year improvement and Green Star status scoring 66 out of 100 outperforming both the peer group (60) and GRESB global average (63)

¹ Source: AREF/IPD All Balanced Property Fund Index – to 30 September 2017

Investment Summary

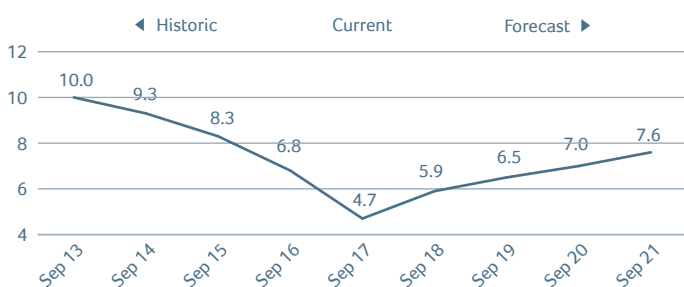
The current political and Brexit uncertainty in the UK is what investors hate the most! Reading the press we seem to be in the darkest days of that uncertainty, but hopefully there is light at the end of the tunnel. The structure of a UK relative benchmarked core fund is increasingly attractive to global investors and they may become significantly active when the uncertainty lifts. Investor demand in the UK is still very strong for funds and structures investing in long inflation linked leases, but outside this area stock supply is much greater, as are opportunities for a value manager.

Managers seem to be pursuing a wide variety of sector strategies at present with widely differing allocations to retail property, London, alternative property and Industrial/warehousing. Performance outcomes seem to be, as ever, driven by stock selection, rather than sector allocation and avoiding the performance curse of rapid growth in AUM, which almost inevitably depresses short term returns.

The Fund's performance has again been strong delivering 14.4% over the year, reflecting a number of successful asset management initiatives. The return over the year is the same as the 5 year average at 14.4% although the composition has been less about income and more about capital growth. As this process works through we expect the income component of returns to climb again, off current valuations, as some of our refurbished buildings lease up and cash from disposals is reinvested.

We remain positive about our regional positioning and continue to deploy funds into the warehouse and alternative sectors. We are keeping watch for opportunities to emerge in the retail and London markets, which we believe do not represent good value at present.

High yielding since inception



Source: Historic & 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 September 2017. Note: These projections are subject to change and there is no guarantee that forecast dividends will be achieved.

Performance

Investment Performance %	3 mths	6 mths	9 mths	1 yrs	3 yrs	5 yrs
AEW UK Core Property Fund	3.3	7.9	11.2	14.4	12.2	14.4
Weighted Average	2.4	4.7	6.8	9.3	8.9	9.5
Upper Quartile	2.7	5.5	7.6	10.4	10.0	10.6
Median	2.3	4.8	7.0	9.4	9.4	10.0
Lower Quartile	2.2	4.5	6.5	8.7	8.4	8.9
Funds in Index	25					

Source: All Balanced Property Fund Index – AREF/IPD UK Pooled Property Fund Index for the period to 30 September 2017.

Q3 Asset Management

Unit 1 Century Court, Rickmansworth

Having secured consent to convert to residential, we have sold part of the property to a developer for £1.2m (€230 psf).

Bridgefoot House, Radlett

We have secured a £96,270 p.a. uplift on the December 2016 rent review. The new rent of £14.11 psf is 15% in excess of ERV.

Freshford House, Bristol

We have completed the final letting of the building at £23.50 psf.

Aztec West, Bristol

We have completed the letting of the part first floor to Original Insurance Services Ltd at a rent of £19.25 psf.

St David Retail Park, Swansea

We have been granted planning consent to develop a 1,800 sq ft drive-thru coffee pod pre-let to a Starbucks' franchisee.

Q3 Acquisitions

233 High Street, Uxbridge


- Next to intu Uxbridge
- Income secured for a WAULT of 9 years with 82% linked to RPI
- Low capital value of £84 psf
- Net Initial Yield 7%



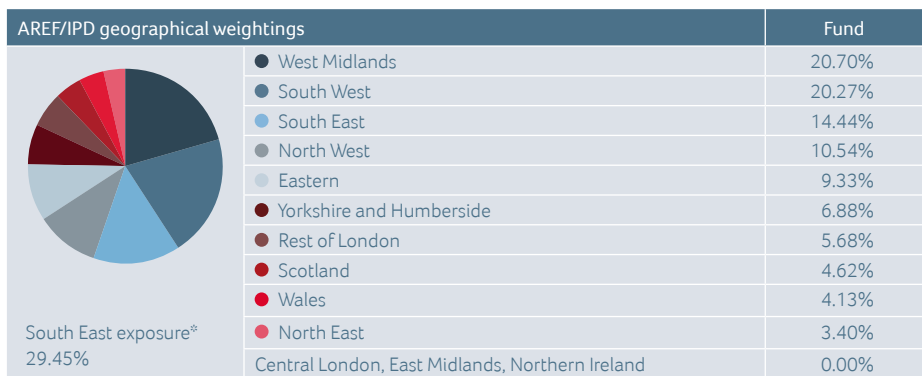
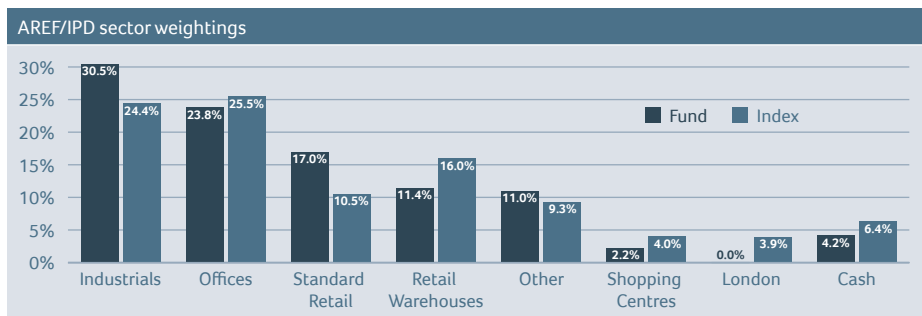
Warehouse, Crewe

- Second hand unit in prime, well established industrial location
- Multi-let to two companies with a WAULT of 4.6 years (2.6 years to break)
- Low capital value of £34 psf
- Net Initial Yield of 9.2%



Fund Facts	
Portfolio Manager Richard Tanner	
Fund aim 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): £264.1m	
Triple net initial yield (% p.a.): 7.19%	
Reversionary Yield: 8.36%	
Number of investors: 49	
Number of AEW employee investors: 3	
Number of properties acquired: 70	
Number of properties under offer: 3	
Gearing (% of NAV): 0%	
Total expense ratio: 1.13%	
Capital Cash holdings (% of NAV): 4.15%	
Single price NAV price – £1.2457 Single price – £1.3305	
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.	
* 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.	

10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
Spectrum	Swindon	Industrial	13.2	5.2%
Pryzm	Kingston-Upon-Thames	Other	11.3	4.4%
Bargain Booze	Crewe	Warehouse	10.4	4.1%
36-42 Old Christchurch Road	Bournemouth	Standard Retail	10.3	4.1%
Freshford House	Bristol	Office	7.6	3.0%
730 Aztec West	Bristol	Office	7.3	2.9%
Wakefield 41	Wakefield	Industrial	7.0	2.8%
Bridgefoot House	Radlett	Office	6.6	2.6%
Cresta House	Luton	Office	6.5	2.5%
Intec Business Park	Basingstoke	Office	6.0	2.3%



* 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 PPF	AEW UK Core Property Fund	PPFI
Average weighted unexpired lease term to break	4.7 years	7.3 years
Average weighted unexpired lease term to expiry	5.8 years	8.6 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 September 2017.

Risk and volatility statistics	Annualised quarterly data	
	Q3, 2017	Q2, 2017
Absolute standard deviation	3.55%	3.63%
Tracking error	1.89%	1.93%
Information ratio	2.68	2.66
Beta	0.95	0.95

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.

Key contact



New investors

Dana Eisner

dana.eisner@eu.aew.com

T: 020 7016 4883



Existing investors

Kari Clarke

kari.clarke@eu.aew.com

T: 020 7016 4804

IMPORTANT NOTICE This is a communication issued by AEW UK Investment Management LLP, trading as AEW UK ("AEW UK"), a limited liability partnership registered in England and Wales (registration number OC 367686) whose registered office is at 33 Jermyn Street, London SW1Y 6DN, England. AEW UK Investment Management LLP is authorised and regulated by the Financial Conduct Authority. It relates to the AEW UK Core Property Fund (the "Fund"). An investment in the Fund can only be made on the basis of an information memorandum and the Fund documentation. This communication cannot be relied upon as the basis on which to make a decision to invest in the Fund. This communication does not constitute an invitation or inducement to subscribe to any particular investment. It is communicated to you on the basis that AEW UK believes you to be a qualified investor or a professional investor

or any similar status in another state or jurisdiction and thus entitled to receive this communication. If this is not the case and you have received this document in error, please delete or destroy and notify AEW UK immediately. This communication is forwarded to you for information purposes only and does not constitute a personal recommendation. You should seek professional advice before making any investment decision. The value of investments and the income from them can fall as well as rise. An investor may not get back the amount of money invested. Past performance is not a guide to future performance. AEW UK Investment Management LLP believes the information to be correct at the time of writing but does not make any representation as to the accuracy or completeness of the material and does not accept liability for any loss arising from the use hereof.