

Fund Highlights

- Top performing balanced fund over 3, 6 and 9 months for the period ending 31/12/12
- In Q4, average outperformance of 8.6% over 9 months against the IPD All Balanced Property Funds Index, weighted average
- Prospective annualised distribution yield of 9.5–10.5%*
- Weighted average unexpired lease term to expiry 10 years*
- Reviewed more than 2,000 introductions valued at £28bn

*Estimate figures as at 4/01/13 based on all properties currently under offer completing

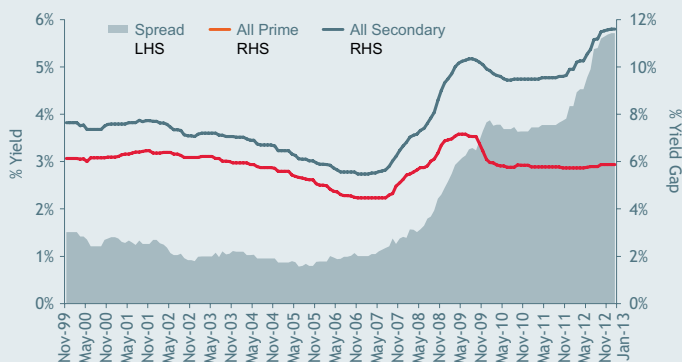


Investment Strategy

Our approach is to capitalise on the current market dynamics which are providing an excellent environment in which to create a new value based core fund which exploits the current distress experienced by a number of vendors.

As a value investor we are buying good quality real estate at the margins of prime locations aiming to generate high prospective returns over the next 3–5 years. Many of these assets are attractively priced from distressed vendors offering higher initial and reversionary yields. The chart below shows the current yield gap between secondary and prime yields which is providing this compelling investment opportunity.

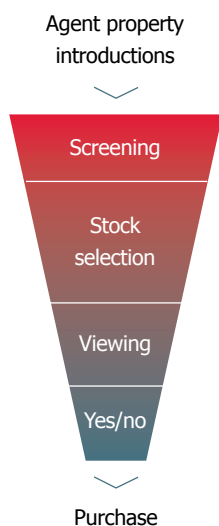
Prime versus secondary all property yields January 2013



Source: CBRE

Investment Activity

This clear investment strategy drives our stock selection process. We have now reviewed stock totalling £28bn in capital value terms, representing some 2,000 assets and whilst some pricing is softening we are seeing competition where reversionary yields are around 10%. Our Investment team is monitoring potentially attractive deals totalling £200m. The Fund has completed on ten properties and has three more under offer. The funnel to the right shows our filtering process for acquisitions.



Investment	Last 3 months		Last 9 months	
	Performance %	Rank	Performance %	Rank
AEW UK Core Fund	2.3%	1	8.2%	1
Weighted Average	-0.4%		-0.4%	
Upper Quartile	0.8%		2.2%	
Median	0.5%		0.9%	
Lower Quartile	0.0%		-0.5%	
Funds in Universe	27		27	

Source: All Balanced Property Funds Index IPD UK, Pooled Property Funds Index, for the period ending 31 December 2012

Asset Management Activity

Having purchased the first assets for the Fund we have activated a programme to enhance income on each property. At the heart of our asset management approach is a partnership with all of our tenants. We talk to every tenant before we buy a property, and once we own the asset, we go out of our way to work with them. We respond to tenant requests quickly and make decisions swiftly. Here are three examples:

Dakota House, Colnbrook is a self contained office building fully let to Microsoft Ltd until June 2013 and sub-let to Food Partners Ltd until June 2013. Purchased in April 2012 for £850k, the building is currently yielding 19.75%.



Design schemes for an upgraded reception, landscaping and car park are with the sub tenant who is in negotiations to stay.

Kineton Road Industrial Estate, Southam is a modern, detached distribution warehouse totalling 65,226 sq ft and let to Adare International Limited until June 2018. A reversionary lease was signed by the tenant for a term of 5 years expiring in June 2018. Purchase price: £2m, current value £2.5m.



Jerome Retail Park, Walsall, situated on the edge of the town centre behind the Saddlers Shopping Centre, totals 98,000 sq ft of leisure and open A1 uses. The purchase price of £3.56m reflects an initial yield of 12.59%. Iceland signed a new 10 year lease from January 2013 and a 5 year lease to Euro Car Parks is in solicitors hands. We are drawing up plans for a new catering offering and other uses on the park.



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

Benchmark

All Balanced Property Funds Index – IPD UK Pooled Property Fund Index – weighted average

Fund size (Net Asset Value): £36.9m

Net initial yield (% p.a.): 10.5%*

Number of investors: 6**

Investors in due diligence: c£100m

Number of AEW employee investors: 3

Number of properties completed: 10

Number of properties under offer: 3

Gearing (% of NAV): 0.0%

Capital Cash holdings (% of NAV): 3.5%

Bid/Offer Spread: 7.5%

Annual management charge: 0.7% per annum

Distribution dates

Income is allocated to investors quarterly and paid within three months of the end of the quarter during which they were earned.

*Estimate figures based on all properties under offer completing.

**Five SIPP investors entered the Fund on 02/01/13.

10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
Oceana	London	Other	7.30	20.50%
1–6 Salter Row & 17–21 Woolmarket	Pontefract	Standard Retail	7.00	19.65%
18/20 St. Mary's Square	Swansea	Standard Retail	5.56	15.61%
Bridgefoot House	Radlett	Office	3.78	10.61%
Jerome Retail Park	Walsall	Retail Park	3.55	9.97%
Kineton Road	Southam	Industrial Estate	2.50	7.02%
Ambi Rad	Brierley Hill	Industrial	2.30	6.46%
Wickes	Scunthorpe	Retail Warehouse	1.85	5.19%
Tangent House	Reading	Office	0.95	2.67%
Dakota House	Colnbrook	Office	0.83	2.32%



Sector weightings	Fund	Relative weightings	
		Index	Position
Shops	34.0%	13.9%	+20.1%
Shopping Centres	0.0%	5.9%	-5.9%
Offices	4.8%	27.4%	-22.6%
Industrials	23.2%	16.4%	+6.8%
Retail Warehouses	14.6%	20.6%	-6.0%
Other	19.8%	8.7%	+11.1%
Cash	3.5%	7.0%	-3.5%



Geographical weightings	Fund
Rest of London	20.50%
South East	4.98%
West Midlands	23.45%
Yorkshire and Humberside	24.85%
Wales	15.61%
Eastern	10.61%

Lease Profile – AEW UK Core Property Fund against the Pooled Property Fund Index (PPFI)	PPFI ¹	AEW UK Core Property Fund ²
Average weighted unexpired lease term to break	8.00 years	8.00 years
Average weighted unexpired lease term to expiry	9.07 years	10.00 years

1. IPD as at 12th September 2012. This data has been calculated excluding the long lease funds from the PPFI
2. Estimate figures as at 4th January 2013 based on all properties currently under offer completing

Risk and volatility statistics %*	3 months	6 months
Absolute volatility	Not available	Not available
Tracking error	Not available	Not available
Information ratio	Not available	Not available
Beta	Not available	Not available

*This table will be available when the Fund has 12 month data

Source: Data will be based on monthly observations. Benchmark will be the IPD Monthly Index

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