

Fund Highlights

- Top performing balanced fund over 6, 9 and 12 months for the period ending 31/03/13
- In Q1, average outperformance of 9.9% over 12 months against the IPD All Balanced Property Funds Index, weighted average
- Prospective annualised distribution yield of 10–11.5%*
- Weighted average unexpired lease term to expiry 9 years*
- Reviewed 2,333 introductions valued at £28bn

*Estimate figures as at 19/04/13 based on all properties currently under offer completing

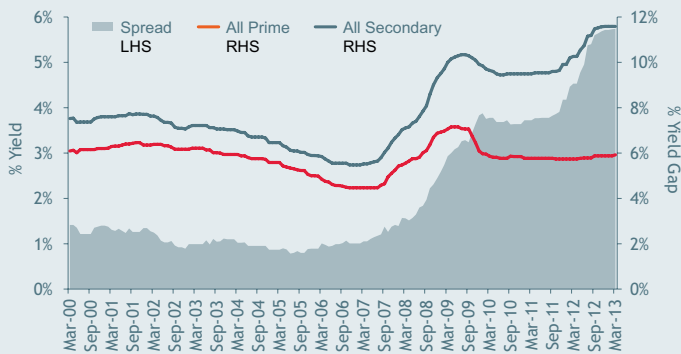


Investment Strategy

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.

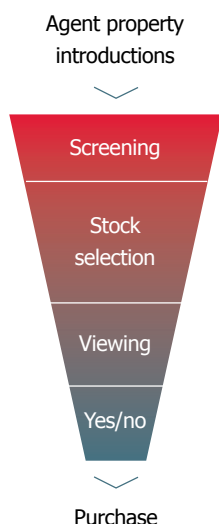
Prime versus secondary all property yields March 2013



Source: CBRE

Investment Activity

This clear investment strategy drives our stock selection process. For 2012, we reviewed stock totalling £28bn, in capital value terms, representing 2,333 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 £130m. The Fund has completed on 12 properties and has three under offer. The funnel to the right shows our filtering process for acquisitions.



Investment	3 months		6 months		9 months		12 months	
	%	Rank	%	Rank	%	Rank	%	Rank
AEW UK Core Fund	1.8	2	4.2	1	6.8	1	10.2	1
Weighted Average	0.8		0.3		0.3		0.3	
Upper Quartile	1.2		1.8		2.3		3.5	
Median	0.8		1.3		1.5		1.7	
Lower Quartile	0.5		0.5		0.5		0.3	
Funds in Universe	28							

Source: All Balanced Property Funds Index IPD UK, Pooled Property Funds Index, for the period ending 31 March 2013.

Asset Management Activity

730 Aztec West, Bristol is a three storey office, built in 1992 let at an initial yield of over 18%.



We are discussing a surrender of part of the building with the tenants, Northgate Information Solutions. Bristol agents Hartnell Taylor Cook and DTZ have been appointed to find new tenants. Recent lettings on the park indicate good prospects for rental growth post refurbishment and reletting.

HP Chemie Pelzer, Speke is located adjacent to Liverpool Airport. It comprises a 150,000 sq ft warehouse unit let to HP Chemie Pelzer (UK) Ltd for 15 years, with tenant breaks at years 7 and 11, passing rent of £400,000 per annum (£2.66 psf). During due diligence we identified building works that the vendor is now carrying out, with AEW UK in a project monitoring role.



New Look and HMV, St Mary's Square, Swansea. Following the appointment of Deloitte as administrators to HMV, the Swansea store is still open for trading.



We understand that the store turned over £500k gross profit in 2012 and a lease assignment to the HMV Newco is being progressed. A further replacement tenant has been identified, should rent negotiations stall.

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): £40.9m

Net initial yield (% p.a.): 11.5%*

Number of investors: 6**

Investors in due diligence: c£60–80m

Number of AEW employee investors: 3

Number of properties completed: 12

Number of properties under offer: 3

Gearing (% of NAV): 0.0%

Capital Cash holdings (% of NAV): 3.3%

Bid/Offer Spread: 7.5%

Annual management charge: 0.7% per annum

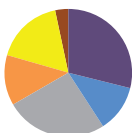
Distribution dates

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

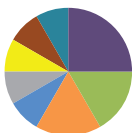
*Estimate figures based on all properties under offer completing.

**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	17.82%
1–6 Salter Row & 17–21 Woolmarket	Pontefract	Standard Retail	7.00	17.08%
18/20 St. Mary's Square	Swansea	Standard Retail	5.30	12.93%
Bridgefoot House	Radlett	Office	3.78	9.23%
Jerome Retail Park	Walsall	Retail Park	3.55	8.66%
730 Aztec West	Bristol	Office	3.20	7.81%
HP Chemie Pelzer	Liverpool	Industrial	2.52	6.15%
Kineton Road	Southam	Industrial Estate	2.50	6.10%
Ambi Rad	Brierley Hill	Industrial	2.20	5.37%
Wickes	Scunthorpe	Retail Warehouse	1.85	4.51%



Sector weightings	Fund	Relative weightings	
		Index	Position
Shops	29.0%	14.1%	+14.9%
Shopping Centres	0.0%	6.0%	-6.0%
Offices	11.8%	27.2%	-15.4%
Industrials	25.9%	16.3%	+9.6%
Retail Warehouses	12.7%	20.5%	-7.8%
Other	17.2%	8.7%	+8.5%
Cash	3.3%	7.1%	-3.8%



Geographical weightings	Fund
West Midlands	25.00%
South East	16.67%
Yorkshire and Humberside	16.67%
Eastern	8.33%
Wales	8.33%
Rest of London	8.33%
South West	8.33%
North West	8.33%

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	8.20 years	7.00 years
Average weighted unexpired lease term to expiry	9.30 years	9.00 years

1. IPD as at 31st December 2012. This data has been calculated excluding the long lease funds from the PPFI.
2. Estimate figures as at 19 April 2013 based on all properties currently under offer completing.

Risk and volatility statistics	Annualised quarterly data
Absolute volatility	1.12%
Tracking error	1.89%
Information ratio	5.01
Beta	-0.51

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Source: Based on quarterly data and calculated by the AEW Capital Management Research Team.

Benchmark will be the IPD quarterly index. These statistics are provided for information purposes only and cannot be relied upon for 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 an analysis of 4 sets of data. It can be considered a small sample and as a result the statistics may not be meaningful.

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