

Fund Highlights

- Converted to PAIF on 05/07/2013. Eligible investors include institutional and professional clients from UK and overseas locations
- Top performing balanced fund over 6, 9 and 12 months for the period ending 30/09/13
- In Q3, average outperformance of 7.6% over 12 months against the IPD All Balanced Property Funds Index, weighted average
- Prospective annualised distribution yield above 10%
- New £20m investor, with 6 properties acquired in Q3

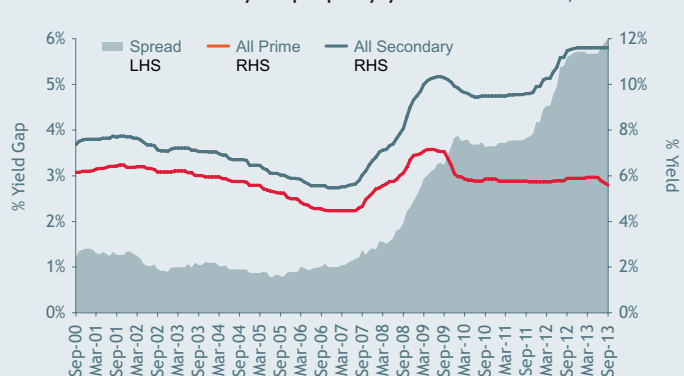


Investment Strategy

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.

Recently we have been asked if our strategy is scalable. In Q3 we invested £20 million from a new investor in the deals shown. At the time of writing we have three further assets under offer. We believe that the market continues to deliver attractive investment opportunities and the Fund is securing investor interest on its subscription queue.

Prime versus secondary all property yields September 2013



Source: CBRE

Investment	3 months		6 months		9 months		12 months	
	%	Rank	%	Rank	%	Rank	%	Rank
AEW UK Core Fund	4.3	2	7.3	1	9.2	1	11.8	1
Weighted Average	2.4		3.9		4.7		4.2	
Upper Quartile	2.6		4.2		5.6		6.0	
Median	2.5		3.9		4.9		5.0	
Lower Quartile	2.0		3.4		4.1		4.2	
Funds in Universe	25							

Source: All Balanced Property Funds Index – IPD UK Pooled Property Fund Index for the period ending 30 September 2013.

Investment Activity Highlights

- Reviewed over 2,200 introductions worth approximately £12.5bn over 12 months.

Q3 Investment Acquisitions

Belvedere, Basingstoke

This multi-let office on Basing View was acquired in September 2013 for £4.7m, initial yield 16%.



Eddie Stobart, Wakefield

Located at Junction 41 of the M1 motorway, this 143,000 sq ft industrial unit was purchased in September 2013 for £5.2m, initial yield 12%.



HSS and Poundstretcher, Wallgate, Wigan

Two highly prominent retail warehouse units. Acquired in September 2013 for £1.2m, initial yield 12%.



New Street Retail Park, Ashford

Situated on a primary route adjacent to the city centre, this retail warehouse was acquired in September 2013 for £2.1m, initial yield 6%.



Units 1 & 2 Royds Lane, Leeds

These prominent industrial units were purchased in September 2013 for £1.1m, initial yield 15%.



River Court, Woking

A business park comprising 6 units 1.5 miles east of the town centre and railway station. Purchased in July 2013 for £2.3m, initial yield 12%.



- Our investment team is monitoring potentially attractive deals totalling over £100m.
- Seeing increasing competition where reversionary yields are around 10%, particularly in the office and industrial sectors.

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

Property Authorised Investment Fund

Benchmark

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

Fund size (Net Asset Value): £68.9m

Net initial yield (% p.a.): 10.89%

Number of investors: 10

Number of AEW employee investors: 3

Number of properties completed: 21

Number of properties under offer: 4

Gearing (% of NAV): 0%

Capital Cash holdings (% of NAV): 8.6%**

Bid/Offer Spread: 7.1%

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.

* The Authorised Corporate Director (ACD) is entitled to a performance fee of 0.0625% of the Net Asset Value in each quarter, if the AEW UK Core Property Fund is ranked in the top ten funds of the All Balanced Property Funds Index – IPD UK Pooled Property Fund Index – weighted average over a three year rolling period and if the return is positive.

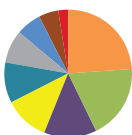
Until the three year rolling period Index is available, the performance-related fee will be calculated by reference to the Fund's performance over a twelve month rolling period.

** Cash holdings to be deployed on properties under offer.

10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
Oceana	London	Other	7.30	11.55%
1–6 Salter Row & 17–21 Woolmarket	Pontefract	Standard Retail	7.00	11.08%
18/20 St. Mary's Square	Swansea	Standard Retail	5.35	8.47%
Eddie Stobart, Wakefield	West Yorkshire	Industrial	5.21	8.24%
Belvedere House	Basingstoke	Office	4.70	7.44%
Bridgefoot House	Radlett	Office	3.95	6.25%
Jerome Business Park	Walsall	Retail Warehouse	3.55	5.62%
730 Aztec West	Bristol	Office	3.20	5.06%
Chemie Pelzer (UK) Ltd	Speke	Industrial	2.65	4.19%
Adare International Ltd	Southam	Industrial	2.65	4.19%



Sector weightings	Fund	Relative weightings	
		Index	Position
Offices	24.5%	26.5%	-2.0%
Industrials	22.1%	17.2%	+4.9%
Standard retail	21.5%	14.5%	+7.0%
Retail Warehouses	12.8%	20.0%	-7.2%
Other	10.6%	9.2%	+1.4%
Cash	8.6%	6.8%	+1.8%
Shopping Centres	0.00%	5.6%	-5.6%



Geographical weightings	Fund
Yorkshire and Humberside	24.0%
South East	18.9%
West Midlands	13.3%
Rest of London	11.6%
North West	10.1%
Wales	8.5%
Eastern	6.2%
South West	5.0%
Scotland	2.4%

Lease Profile – AEW UK Core Property Fund against the Pooled Property Fund Index (PPFI)	PPFI	AEW UK Core Property Fund
Average weighted unexpired lease term to break	8.2 years	5.3 years
Average weighted unexpired lease term to expiry	9.3 years	7.1 years

Source: All Property Funds Index – IPD UK Pooled Property Fund Index – weighted average for the period ending 30 June 2013.

Risk and volatility statistics	Annualised quarterly data
Absolute volatility	2.16%
Tracking error	1.64%
Information ratio	4.37
Beta	0.66

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 four sets of data. It can be considered a small sample and as a result the statistics may not be meaningful.

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