

### 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 and 12 months for the period ending 31/12/13
- In Q4, average outperformance of 7.8% over 12 months against the IPD All Balanced Property Funds Index, weighted average
- Prospective annualised distribution yield above 10%
- 5 properties acquired in Q4

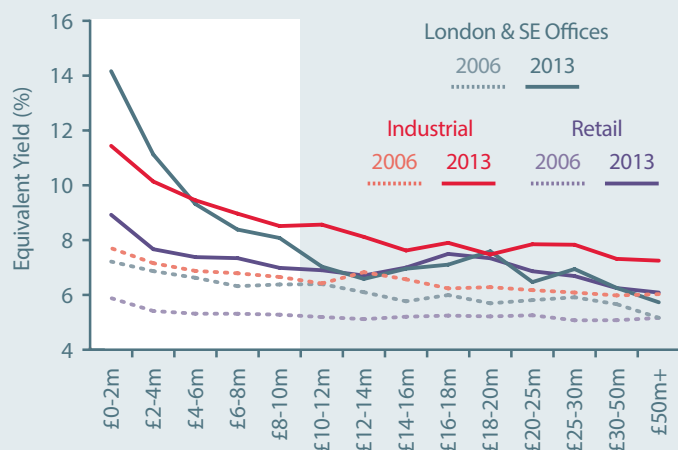


### Investment Strategy

The Fund continues to buy smaller lot sized buildings beneath the radar of larger funds and where we see exceptional value as demonstrated in the chart below. As a result of new purchases the triple net initial yield has now reached 11.4% this quarter. The capacity of the Fund to invest capital still exceeds the current flow of new investors with about £75–100m of attractive deals being monitored by the team.

This quarter the Fund has carried out its first sale. In September we purchased a large distribution building with a small office building for £5.2m. We sold the offices for £2.1m, resulting in a net valuation increase of £1.4m. Asset management opportunities are gradually emerging across the portfolio.

#### Why buy smaller assets?



Source: IPD (September 2013)

### Q4 Investment Acquisitions

#### Rowland Hill Shopping Centre, Kidderminster

This prominently located shopping centre was acquired for £2.2m, 11.5% triple net initial yield.



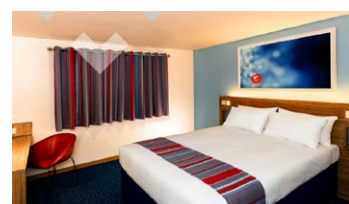
#### Halifax, Portsmouth

Located adjacent to the main shopping centre, this was purchased for £2.7m, 9.8% triple net initial yield.



#### Travelodge, Thurrock

Located at a busy M25 motorway service station, this 48 bedroom hotel was acquired for £0.85m, 9.7% triple net initial yield.



#### Rivergate Shopping Centre, Peterborough

In the fastest growing city in the UK, purchased for £4.7m, 13.1% triple net initial yield.



#### James House, York

Located outside the City Walls on James Street, this 35,000 sq ft office was acquired for £2.1m, 20.3% triple net initial yield.



Investment	3 months	6 months	9 months	12 months
Performance %	%	%	%	%
AEW UK Core Fund	7.0	11.6	14.8	16.9
Weighted Average	4.3	6.8	8.3	9.1
Upper Quartile	4.9	7.4	9.1	10.0
Median	4.3	6.8	8.4	9.1
Lower Quartile	3.9	6.4	8.0	8.6
Funds in Universe	25.0			

Source: All Balanced Property Funds Index – IPD UK Pooled Property Fund Index for the period ending 31 December 2013.

### Investment Activity Highlights

- Reviewed over 2,700 introductions in 2013 totalling over £26bn
- Our investment team are currently monitoring potentially attractive deals totalling over £80m
- In Q4 we saw increased competition, particularly for office and industrial stock in prime SE locations. Opportunities still exist across the UK and in good secondary towns. Retail assets remain good value across most of the UK.

## 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): £78.1m

Triple net initial yield (% p.a.): 11.4%

Number of investors: 12

Number of AEW employee investors: 3

Number of properties completed: 26

Number of properties exchanged: 1

Gearing (% of NAV): 0%

Capital Cash holdings (% of NAV): 1.6%

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.

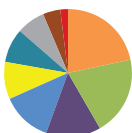
Until the three year rolling period Index is available, the performance-related fee will be calculated by reference to the Fund's performance over a twelve month rolling period.

10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
Pryzm*	London	Other	7.30	9.47%
1–6 Salter Row & 17–21 Woolmarket	Pontefract	Standard Retail	7.00	9.08%
18/20 St. Mary's Square	Swansea	Standard Retail	5.45	7.07%
Belvedere House	Basingstoke	Office	5.05	6.55%
Rivergate Shopping Centre	Peterborough	Shopping Centre	4.68	6.07%
Eddie Stobart, Wakefield	West Yorkshire	Industrial	4.50	5.84%
Bridgefoot House	Radlett	Office	4.30	5.58%
Jerome Retail Park	Walsall	Retail Warehouse	3.60	4.67%
730 Aztec West	Bristol	Office	3.38	4.38%
Adare International Ltd	Southam	Industrial	2.80	3.63%

\* The former nightclub Oceana has been rebranded as Pryzm.



Sector weightings	Fund	Relative weightings	
		Index	Position
Offices	26.0%	27.2%	-1.2%
Standard Retail	22.6%	14.3%	+8.3%
Industrials	19.0%	18.0%	+1.0%
Retail Warehouses	11.6%	19.7%	-8.1%
Other	10.4%	9.0%	+1.4%
Shopping Centres	8.8%	5.4%	+3.4%
Cash	1.6%	6.5%	-4.9%



Geographical weightings	Fund
Yorkshire and Humberside	21.7%
South East	20.0%
West Midlands	14.0%
Eastern	12.8%
Rest of London	9.5%
North West	8.6%
Wales	7.1%
South West	4.4%
Scotland	1.9%

Lease Profile – AEW UK Core Property Fund against the Pooled Property Fund Index (PPFI)	AEW UK Core Property Fund	PPFI
Average weighted unexpired lease term to break	4.9 years	8.2 years
Average weighted unexpired lease term to expiry	6.4 years	9.2 years

Source: All Property Funds Index – IPD UK Pooled Property Fund Index – weighted average for the period ending 30 September 2013. AEW UK Core Property Fund data as at 31 December 2013 properties exchanged and completed.

Risk and volatility statistics	Annualised quarterly data
Absolute standard deviation	3.54%
Tracking error	1.41%
Information ratio	10.43
Beta	0.99

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

Benchmark will be the All Balanced Property Funds Index – IPD UK Pooled Property Fund Index – weighted average. 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 a quarterly analysis since the Fund's inception. It can be considered a small sample and as a result the statistics may not be meaningful.

## Key contact

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