

Fund Highlights

- Average outperformance of 4.9% over 12 months against the IPD All Balanced Property Fund Index, weighted average¹
- Top performing balanced fund over 2 years to 31/12/2014²
- Annualised distribution yield of 8.9%¹

¹ Source: All Balanced Property Fund Index – IPD UK Pooled Property Fund Index for the period ending 31 December 2014.

² Source: IPD calculation.

Investment Strategy

The Fund enjoyed steady growth throughout 2014 moving the NAV from £78m to £174m at year end. For some time we have advised investors that the market capacity was £30-£50m per quarter. In Q4 2014 we purchased 16 assets for £57m taking the number of assets in the Fund to 50. Cash inflows throughout Q4 were steady drawing a total of £50m across three monthly dealing days.

We continue to see a strong pipeline of attractive deals for this strategy, remembering that our approach for this Fund is to seek out mispriced assets that are well located and have strong tenant demand. Importantly we are targeting smaller lot sizes than our peer group and this is delivering a significant yield advantage. The three charts below show how investing in smaller assets of <£10m results in a significant yield advantage.

Throughout 2014 we brought on board seven new team members across the business; three in Asset Management, one in Transactions and the other three in Operations and Administration. We are well resourced to continue to grow the Fund in 2015.

We are still offering a higher yield advantage than our peer group. For Q4 the Fund delivered 8.9% with the average balanced fund at 4.7%.

Whilst it is rewarding to see the Fund attracting new investors and securing good deals, the team has grown many funds over the years and we think it is important that investors are aware of the short term impact of strong growth.

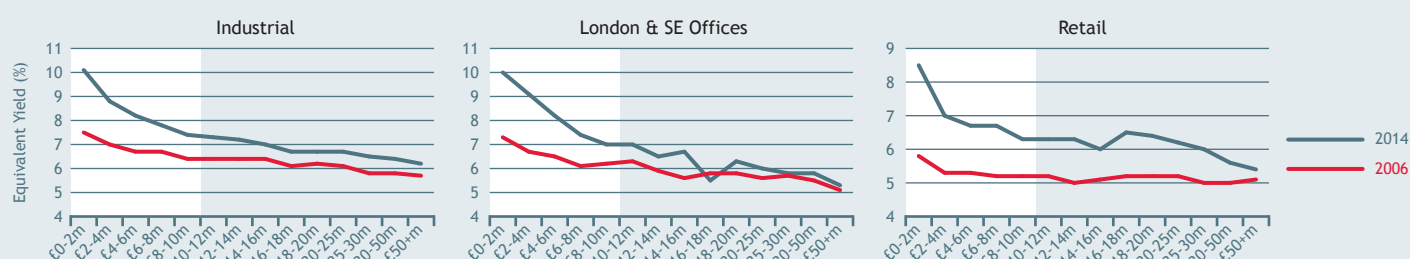
When the Fund purchases a number of assets in a short period of time (as it did in the last quarter of 2014) this has the effect of dampening the yield. This is due to the fact the Fund only receives income pro rata temporis for that period. If we stopped growing the Fund tomorrow the distribution yield would revert to around 9.4%.

The other side of this equation is the potential performance impact. New purchases in the Fund don't tend to move in value for one or two quarters after purchase. This of course can generate a performance headwind in rising markets for growing funds. The example below illustrates how this could affect a fund like ours:

- £100m of property assets
- Market growing at 3% per quarter
- Fund invests £50m in one quarter
- New NAV £150m
- One third of assets grow for the next quarter at 0% and the rest at 3%, gives an average of 2%
- This simple calculation would result in 1% outperformance being required just to match the index
- In Q4 2014 the Fund outperformed the weighted average by 0.7%

The effect is temporary but the fact that our performance has remained strong demonstrates the gains being made in this strategy.

Pricing inefficiencies in smaller assets relative to long term pricing



Note: Equivalent yield is a weighted average of the initial yield and reversionary yield, and represents the yield a property will produce based upon the timing of the income received. Source: IPD. Data to 30 September 2014.

Fund Updates

- The Fund intends to update its Investment Policy to formally restrict Investments in Collective Investment Schemes to a maximum of 15% of NAV
- The Fund is in the closing stages for RBSi to provide a Revolving Credit Facility of up to 15% of NAV
- The Fund will update its documentation to clarify that our client money account is non-interest bearing
- From February 2015 Investors will receive their summary valuation email within five business days after month end
- Please note that an estimated distribution rate is available on request one week after each quarter end

Investment	3 months	6 months	9 months	12 months
Performance %	%	%	%	%
AEW UK Core Fund	5.3	10.8	18.3	22.1
Weighted Average	4.6	8.8	13.5	17.2
Upper Quartile	4.9	9.3	14.2	18.4
Median	4.3	8.8	13.3	17.0
Lower Quartile	4.0	7.8	12.2	15.9
Funds in Universe	25			

Source: All Balanced Property Fund Index – IPD UK Pooled Property Fund Index for the period ending 31 December 2014.

Q4 Investment Acquisitions

- 16 new properties totalling £52m
- Continue to seek mispriced assets that are well located and have strong tenant demand
- Buying smaller lot sizes to exploit a significant yield advantage
- Many assets previously owned by other institutions at 25-75% higher valuations
- Post Q4, 1 exchanged and 1 under offer



50 New George Street, Plymouth

- A prominent city centre retail unit
- Purchase price £2.7m
- 12.95% Triple Net Yield
- £167 psf



St David's Road, Swansea TBC

- Prominent retail warehouse unit
- Purchase price £4.95m
- 11.0% Triple Net Yield
- £96 psf



Centre 27, Birstall, Leeds

- Strategic Location next to the motorway junction
- Purchase price £2.9m
- 7.8% Triple Net Yield
- £77 psf



Horsefair and Bond Street, Bristol

- Busy location close to Cabot Circus
- Purchase price £2.6m
- 9.5% Triple Net Yield
- £202 psf



Chaffinch Retail Park, Sunderland

- Prominent arterial route frontage
- Purchase price £4.7m
- 9.0% Triple Net Yield
- £118 psf



Tangent Court, Solihull

- Purchased at vacant possession value
- Purchase price £2.75m
- 11.0% Triple Net Yield
- £116 psf



Ryde Arena, Isle of Wight

- Waterfront location with alternative use potential
- Purchase price £1.0m
- 12.3% Triple Net Yield
- £36 psf



Freshford House, Bristol

- Located in the heart of the city centre
- Purchase price £3.6m
- 16.2% Triple Net Yield
- £113 psf



School Brow RP, Warrington

- Busy Secondary Location
- Purchase price £3.1m
- 8.5% Triple Net Yield
- £148 psf



Portrack Lane, Stock-On-Tees

- Good roadside prominence
- Purchase price £1.4m
- 7.9% Triple Net Yield
- £68 psf



Alderman Green IE, Coventry

- Low capital value
- Purchase price £3.5m
- 11.1% Triple Net Yield
- £19 psf



Hagley Road West, Birmingham

- Highly prominent retail warehouse
- Purchase price £1.13m
- 9.0% Triple Net Yield
- £110 psf



Intec Business Park, Basingstoke

- Established business park
- Purchase price £2.85m
- 12.3% Net Equivalent Yield (based on contracted rent)
- £13 psf



Spectrum, Swindon

- Iconic industrial warehouse
- Purchase price £8.67m
- 10.5% Triple Net Yield
- £33 psf



Imperial Arcade, Brighton

- Opposite main scheme in strong retailing centre
- Purchase price £4.15m
- 7.0% Triple Net Yield
- £330 psf



Tata Steel, Newcastle-upon-Tyne

- Strong covenant, prominent location
- Purchase price £1.95m
- 8.9% Triple Net Yield
- £17 psf

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 Fund Index – IPD UK Pooled Property Fund Index – weighted average

Fund size (Net Asset Value): £174.2m

Triple net initial yield (% p.a.): 9.67%

Number of investors: 26

Number of AEW employee investors: 3

Number of properties acquired: 50

Number of properties under offer: 2

Gearing (% of NAV): 0%

Capital Cash holdings (% of NAV): 1.7%

Single price

December NAV price – 1.1082

December single price – 1.1724

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 0.25% of the Net Asset Value per annum, 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.

Key contact

Dana Eisner

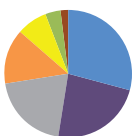
dana.eisner@aeweurope.com

T: 020 7016 4883

M: 07834 439 688



10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
Belvedere House	Basingstoke	Office	9.8	5.63%
Spectrum	Swindon	Industrial	8.7	4.98%
36-42 Old Christchurch Road	Bournemouth	Standard Retail	7.8	4.48%
Pryzm	London	Other	7.7	4.42%
1-6 Salter Row & 17-21 Woolmarket	Pontefract	Standard Retail	7.3	4.19%
18/20 St. Mary's Square	Swansea	Standard Retail	5.4	3.10%
Eddie Stobart, Grandstand Road	Wakefield	Industrial	5.4	3.09%
Rivercourt Uxbridge	Uxbridge	Office	5.3	3.04%
Smyths Toys & DSG	Swansea	Retail Warehouse	4.9	2.78%
Rivergate shopping centre	Peterborough	Shopping Centre	4.7	2.70%



Sector weightings	Fund	Relative weightings	
		Index	Position
● Offices	29.4%	30.1%	-0.7%
● Standard Retail	23.2%	13.2%	+10.0%
● Industrials	20.0%	20.3%	-0.3%
● Retail Warehouses	14.0%	18.3%	-4.3%
● Other	7.7%	8.8%	-1.1%
● Shopping Centres	4.0%	4.5%	-0.5%
● Cash	1.7%	4.7%	-3.0%



Geographical weightings	Fund
● South East	22.66%
● South West	17.45%
● West Midlands	15.83%
● Yorkshire and Humberside	12.34%
● Eastern	5.99%
● Wales	5.97%
● North West	5.89%
● North East	4.71%
● Scotland	4.67%
● Rest of London	4.48%

Lease Profile – AEW UK Core Property Fund against the All Balanced Property Fund Index – IPD UK PFFI	AEW UK Core Property Fund	PPFI
Average weighted unexpired lease term to break	4.3 years	8.0 years
Average weighted unexpired lease term to expiry	5.8 years	9.1 years

Source: All Balanced Property Fund Index – IPD UK PFFI – weighted average for the period ending 30 September 2014. AEW UK Core Property Fund data as at 31 December 2014 properties exchanged and completed.

Risk and volatility statistics	Annualised quarterly data	
	Q4, 2014	Q3, 2014
Absolute standard deviation	3.62%	3.72%
Tracking error	1.78%	1.72%
Information ratio	2.64	3.89
Beta	0.86	0.92

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

Benchmark is 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 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.

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