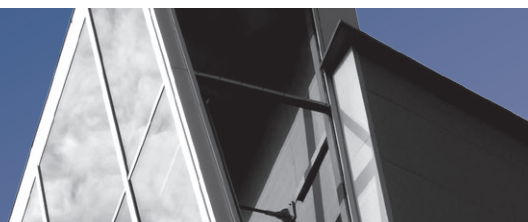


Fund Highlights

- 3 year track record released – the Fund was the top performing balanced fund with an annualised total return of 17.1% against 10.6% for the index¹
- Annualised distribution yield of 8.4%¹

¹ Source: AREF/IPD UK Quarterly Property Fund June Index – All Balanced Property Results for the quarter to 30 June 2015



Investment Strategy

We continue to see a strong pipeline of attractive deals for this strategy, spread both geographically and across the various sectors. Competition for assets has been strong, however this has been mirrored by signs of improvements in the occupational markets as well.

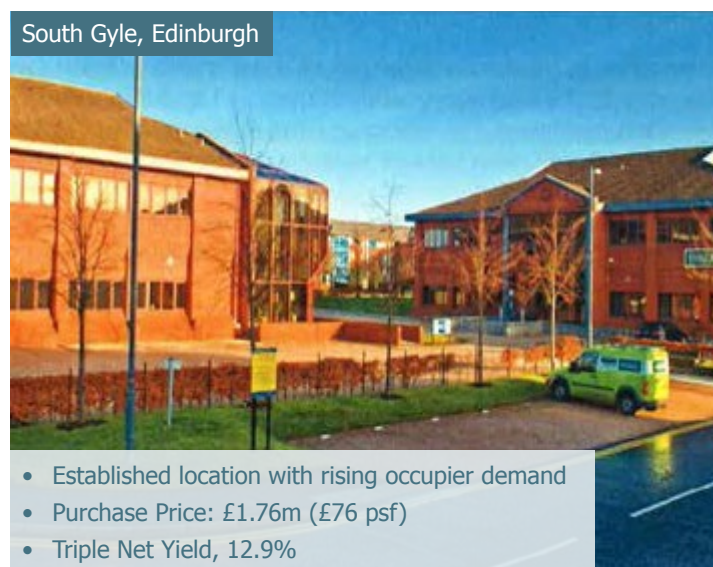
Across the UK, we continued to seek mispriced assets that are well located and have strong tenant demand. Smaller lot sizes continue to provide attractive opportunities allowing us to exploit a significant yield advantage.

Investment	3 months	6 months	9 months	12 months	3 years
Performance %	%	%	%	%	%
AEW UK Core Fund	3.9	7.3	12.9	18.9	17.1
Weighted Average	3.3	6.2	11.1	15.5	10.6
Upper Quartile	3.6	7.3	12.4	16.5	11.8
Median	3.3	6.7	11.3	16.0	11.2
Lower Quartile	3.0	5.6	10.0	14.3	10.2
Funds in Universe	25				

Source: All Balanced Property Fund Index – IPD UK Pooled Property Fund Index for the period ending 30 June 2015.

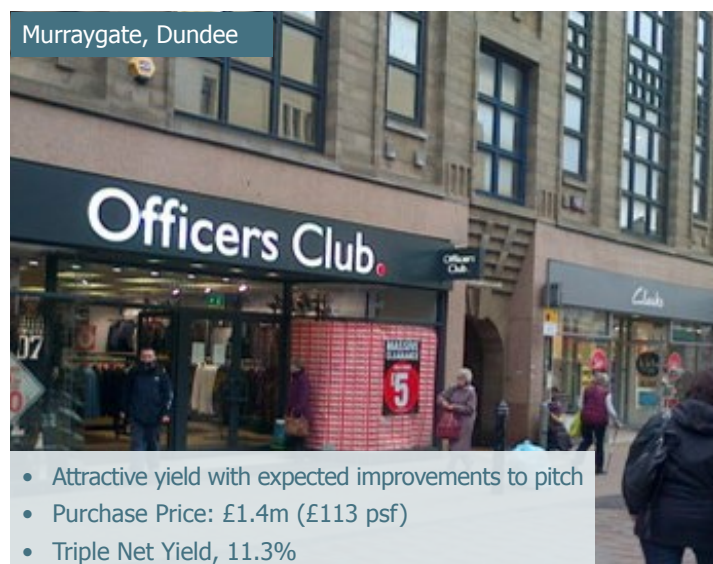
Q2 Investment Acquisitions

South Gyle, Edinburgh



- Established location with rising occupier demand
- Purchase Price: £1.76m (£76 psf)
- Triple Net Yield, 12.9%

Murraygate, Dundee



- Attractive yield with expected improvements to pitch
- Purchase Price: £1.4m (£113 psf)
- Triple Net Yield, 11.3%

Asset Management

The first half of 2015 has been characterised by our tenants remaining committed to the properties in which they are in occupation. This is partly due the proactive and considered approach of our asset managers, but also market characteristics, where tenants are renewing / regearing as little competing stock comes to the market. This theme looks likely to continue into the second half of the year acting as a catalyst for rental growth and a fruitful period for asset management.

Wallows Industrial Estate, Brierley Hill



After lengthy discussions, the sole tenant, Ambi-Rad Ltd, chose not to break their lease for nothing in return, having originally asked for 12 months' rent free or a capital contribution. Negotiations had been delayed by the considerable background corporate activity with the tenant, however, a patient and tenacious approach ultimately achieved the best outcome. Consequently the property has risen in value by circa £300,000 to £3.1 million.

New Street Retail Park, Ashford



Farm Foods, who trade strongly from the premises, have decided to not exercise their break notice in December 2015. On acquisition we were confident that they would not be looking to operate their break as their weekly turnover had grown strongly. The property has consequently seen an uplift in value of £275,000.

Burgess House, Coventry

After a period of protracted negotiations, Ladbrokes have committed to renewing their lease for a 10 year term with a 5 year break at a rent of £62,500 pa. The lease completion is imminent.



Intec Business Park, Basingstoke

Image Processing Techniques Ltd, whose lease was imminently due to expire at Intec 2, has relocated to Intec 3, upsizing by taking a new 10 year lease at an increased rent of £51,985 pa (£9.25 psf). Previously they were paying £24,100 pa (£5.50 psf), noticeably less. Demolition and site clearance work at Intec 4 and 5 (two obsolete office buildings) has finished and pre-applications planning drawings have been submitted for high bay distribution warehouses.



Report of Governance Committee

For some time, the Manager has been considering changes to the limits on sector weightings across the Fund. These limits act as a risk control but can also be something of a constraint. Over the early part of 2015, the Manager carried out some research on fund level investment constraints. In particular, the Manager was keen to learn whether, when measured against a peer group benchmark, sector and geography would impact on risk control in the way that the market has assumed for the last 30 years. The Manager concluded that, over the long term, there was only a very weak case for such constraints. This formed the subject



George Henshilwood,
Independent Chairman
of Governance
Committee

of AEW's recent seminar and there was some lively debate at that seminar around the time horizon of a typical investor and whether, over shorter periods, such constraints can be useful.

More importantly, the Manager identified convincing evidence of the impact of property selection on performance and this would imply that clients should focus more on the selection process in considering overall portfolio risk. The Manager also looked at how many properties were needed in a portfolio to reduce specific risk significantly. Quite surprisingly, most of the risk can be removed with as few as 12 properties, although it is difficult to imagine most investors being comfortable with this number over the longer term!

The Manager took account of these research findings, together with the useful input from discussion at the Seminar, in making proposals to the Governance Committee to establish how the Fund might change the approach to sector and geographic controls in the future. Following discussion between the Governance Committee and the Manager, involving some changes to the initial proposal, the Governance Committee has approved the Manager's recommendations.

Accordingly, the existing restrictions were replaced with restrictions around the following sector definitions, effective from April 2015:

1. "Business Space" (combining Office and Industrial classifications)
2. Retail (combining Retail, Shopping Centres and Retail Warehouse classifications)
3. Other

Within each sector, the Fund would be limited to the AREF/IPD UK Quarterly All Balanced Fund Property Fund Index exposure plus or minus 20 percentage points (e.g. if the Index exposure was 10%, the permitted range would be 0% to 30%; if the Index exposure was 40%, the permitted range would be 20% to 60%). In addition, for reasons of liquidity, a geographical restriction will apply: the Fund will retain not less than 25% exposure to the "South East" of the UK, as shown below.



The Governance Committee is very comfortable that these revised limits will provide the Manager with sufficient scope to manage the Fund effectively, while providing a suitable control on investor risk.

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 – AREF/IPD UK Quarterly Property Fund Index – weighted average

Fund size (Net Asset Value): £216.9m

Triple net initial yield (% p.a.): 9.1%

Number of investors: 33

Number of AEW employee investors: 4

Number of properties acquired: 55

Number of properties under offer: 6

Gearing (% of NAV): 0%

Capital Cash holdings (% of NAV): 8.6%

Single price

June NAV price – 1.1403

June single price – 1.2064

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

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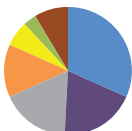
T: 020 7016 4883

M: 07834 439 688

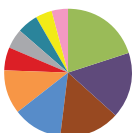


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10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
Trent House, Derwent House and Cranfield House	Cranfield	Office	11.000	5.07%
Belvedere House	Basingstoke	Office	9.900	4.56%
Spectrum	Swindon	Industrial	8.900	4.10%
Pryzm	London	Other	8.175	3.77%
36–42 Old Christchurch Road	Bournemouth	Standard Retail	8.000	3.69%
1/16 Salter Row, 17/21 Woolmarket	Pontefract	Standard Retail	7.350	3.39%
Eddie Stobart, Grandstand Road	Wakefield	Industrial	6.000	2.77%
18/20 St Mary's Square	Swansea	Standard Retail	5.450	2.51%
Rivercourt Uxbridge	Uxbridge	Office	5.300	2.44%
Smyths Toys & DSG	Swansea	Retail Warehouse	4.950	2.28%



Sector weightings	Fund	Relative weightings	
		Index	Position
● Offices	31.7%	31.7%	+0.0%
● Standard Retail	19.3%	12.0%	+7.3%
● Industrials	17.5%	20.6%	-3.1%
● Retail Warehouses	13.2%	17.4%	-4.2%
● Other	6.5%	8.5%	-2.0%
● Shopping Centres	3.1%	5.0%	-1.9%
● Cash	8.6%	4.8%	+3.8%



Geographical weightings	Fund
● South East	20.19%
● West Midlands	16.57%
● South West	15.32%
● Eastern	12.61%
● Yorkshire and Humberside	10.96%
● Scotland	5.76%
● Wales	5.22%
● North West	5.18%
● Rest of London	4.11%
● North East	4.08%

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 years	7.9 years
Average weighted unexpired lease term to expiry	5.3 years	9.2 years

Source: Figures calculated by IPD for AEW; IPD benchmark figures include funds within the All Balanced Property Fund Index. IPD ©2015 All rights reserved. AEW UK Core Property Fund data as at 30 June 2015 properties exchanged and completed. IPD data as at March 2015.

Risk and volatility statistics	Annualised quarterly data	
	Q2, 2015	Q1, 2015
Absolute standard deviation	3.33%	3.48%
Tracking error	1.86%	1.85%
Information ratio	1.61	2.65
Beta	0.82	0.84

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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