

### Fund Highlights

- Over three years the Fund was the top performing balanced fund with an annualised total return of 17.6%<sup>1</sup>
- Average outperformance of 5.9% over 3 years against the IPD benchmark<sup>2</sup>
- Annualised distribution yield of 8.3%<sup>1</sup>

<sup>1</sup> Source: AREF/IPD UK Quarterly Property Fund Index – All Balanced Property for the quarter to 30 September 2015

<sup>2</sup> Source: AREF/IPD UK Quarterly Property Fund September Index – weighted average for the 3 year annualised period ending 30 September 2015



### Investment Strategy

We are still finding a strong pipeline of attractive deals for this strategy across the various sectors and throughout the UK. Despite the competition getting stronger we continued to seek and find mispriced assets that are well located and have strong tenant demand. Smaller lot sizes continued to provide attractive opportunities allowing us to exploit a significant yield advantage.

The increased competition for assets has reflected improvements in the occupational market whereby we are starting to see early signs of rental growth and stronger tenant demand.

Investment	3 months	6 months	9 months	12 months	3 years
Performance %	%	%	%	%	%
AEW UK Core Fund	3.8	7.8	11.4	17.2	17.6
Weighted Average	3.0	6.4	9.4	14.4	11.7
Upper Quartile	3.5	7.1	10.6	16.0	13.0
Median	3.0	6.7	10.1	14.6	12.4
Lower Quartile	2.6	5.7	8.7	13.7	11.1
Funds in Universe	25				

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

### Q3 Investment Acquisitions

#### Lower Precinct, Coventry

- Prominent store let to established retailer until 2026
- Purchase price £3.25m
- 11.3% Triple Net Yield
- £68 psf



#### Whitehall Trading Estate, Bristol

- Good location and attractive yield
- Purchase price £2.05m
- 8.0% Triple Net Yield
- £48 psf



#### Buchanan Gate Business Park, Glasgow

- Low capital value situated on well established park
- Purchase price £0.86m
- 7.7% Triple Net Yield
- £85 psf



#### 62-85 Blackpole Trading Estate, Worcester

- Attractive yield in an established commercial area
- Purchase price £2.4m
- 10.4% Triple Net Yield
- £29 psf



### Asset Management

Over the summer we have seen rental growth become a recurring feature across the portfolio. Despite tenant demand improving, the growth has principally been driven by supply constraints, especially in the office and industrial sectors.

#### Technology Park, Cranfield

With tenant demand improving and supply becoming more constricted, the property now has a 0% vacancy rate. This, twinned with aspirations to widen the user clause and improve on the tenant amenities, will bring further rental growth to the property, pushing the running yield beyond 9%.



#### Blackpole Trading Estate, Worcester

Having nurtured a cohesive relationship with both the head and sub tenant, we managed to align their interests, successfully completing a simultaneous surrender and 10 year re-grant. The new letting was achieved at 26% above passing and 44% above ERV, driving the capital value upward by approximately 59%.



#### Freshford House, Bristol

A lack of good quality grade B space combined with increased demand for secondary accommodation, has had a positive impact on secondary rents. Consequently, we have seen rental growth of between 10% - 30% over the past 18 months. Having bought Freshford House with an ERV of £18 psf in mind, we expect to now achieve lettings at or above £20 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 – AREF/IPD UK Quarterly Property Fund Index – weighted average

**Fund size (Net Asset Value):** £222.3m

**Triple net initial yield (% p.a.):** 8.6%

**Number of investors:** 40

**Number of AEW employee investors:** 4

**Number of properties acquired:** 59

**Number of properties under offer:** 5

**Gearing (% of NAV):** 0%

**Total expense ratio:** 1.07%

**Capital Cash holdings (% of NAV):** 5.1%

### Single price

September NAV price – 1.1590

September single price – 1.2263

**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.

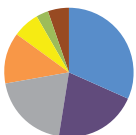
## Key contact

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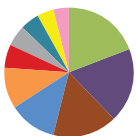


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10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
Trent House, Derwent House and Innovation Centre	Cranfield	Office	11.06	4.97%
Belvedere House	Basingstoke	Office	9.90	4.45%
Spectrum	Swindon	Industrial	9.60	4.32%
36–42 Old Christchurch Road	Bournemouth	Standard Retail	8.65	3.89%
Pryzm	Kingston upon Thames	Other	8.55	3.85%
1/16 Salter Row, 17/21 Woolmarket	Pontefract	Standard Retail	7.45	3.35%
18/20 St Mary's Square	Swansea	Standard Retail	6.00	2.70%
Eddie Stobart, Grandstand Road	Wakefield	Industrial	6.00	2.70%
Rivercourt Uxbridge	Uxbridge	Office	5.30	2.38%
Bridgefoot House	Radlett	Office	4.95	2.23%



Sector weightings	Fund	Relative weightings	
		Index	Position
Offices	31.8%	32.6%	-0.8%
Standard Retail	20.9%	11.6%	+9.3%
Industrials	19.6%	20.9%	-1.3%
Retail Warehouses	12.9%	17.2%	-4.3%
Other	6.6%	9.0%	-2.4%
Shopping Centres	3.1%	4.7%	-1.6%
Cash	5.1%	4.0%	+1.1%



Geographical weightings	Fund
South East	19.37%
West Midlands	18.63%
South West	15.96%
Eastern	12.01%
Yorkshire and Humberside	10.33%
Scotland	5.79%
Wales	5.16%
North West	4.90%
Rest of London	4.03%
North East	3.82%

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	4.1 years	7.8 years
Average weighted unexpired lease term to expiry	5.3 years	9.1 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 September 2015 properties exchanged and completed. IPD data as at June 2015.

Risk and volatility statistics	Annualised quarterly data	
	Q3, 2015	Q2, 2015
Absolute standard deviation	3.20%	3.33%
Tracking error	1.84%	1.86%
Information ratio	1.42	1.61
Beta	0.81	0.82

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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