

## Fund Highlights

- As we edge towards our 5 year track record the Fund has an annualised total return over 4.75 years of 14.0% vs 8.2% for the benchmark<sup>1</sup>
- Over three years the Fund was the top performing balanced fund with an annualised total return of 13.8%<sup>2</sup>
- Average outperformance of 3.1% over 3 years against the IPD benchmark<sup>2</sup>
- Annualised distribution yield of 6.2%<sup>2</sup>
- £50.3m traded on the secondary market in Q4 16

<sup>1</sup> Source: IPD Calculated

<sup>2</sup> Source: AREF/IPD UK Quarterly Property Fund Index – All Balanced Property – weighted average for the quarter to 31 December 2016



## Investment Strategy

In the continued uncertainty after the Brexit vote the market both occupationally and from investors has very quickly regained its cautious confidence. Lettings and sales/acquisitions continue with asset management being the principal driver of added value for our clients. The Fund's total return for the year approximated to its income distribution during the period, which in light of the Brexit concerns about Real Estate in the days after the vote, seems a good outcome. A number of our lettings are profiled in this report, but a large number more are in solicitors' hands, which will see the Fund generate higher income as the rentals start to flow.

Post Brexit we have seen investors transacting on the secondary market at prices which have climbed steadily. The most recent units to trade post quarter end have achieved up to a 2% premium to NAV.

No doubt the negotiations around Brexit will cause an uncertain 2017 at times, but we expect our continued focus on good buildings in strong locations with modern plant and machinery will deliver value to our investors.

## Performance

Investment	3 months	6 months	9 months	12 months	3 years
Performance %	%	%	%	%	%
AEW UK Core Fund	2.8	1.6	3.2	5.6	13.8
Weighted Average	2.3	1.6	1.7	2.8	10.7
Upper Quartile	2.6	3.1	3.1	4.5	11.9
Median	2.3	1.5	1.8	3.1	11.1
Lower Quartile	1.9	0.0	1.2	2.4	9.9
Funds in Universe	26				

Source: All Balanced Property Fund Index – IPD UK Pooled Property Fund Index for the period ending 31 December 2016.

## Acquisitions

### Jamage Industrial Estate, Stoke-on-Trent

- Established industrial location with low levels of supply
- Low capital value of £36 psf
- 3.6 years unexpired to a strong covenant
- High initial yield of 10.5%



## Asset Management

### Cranfield University Technology Park

Having acquired the long leasehold interest back in June 2015, we have now completed the acquisition of the freehold for a price of £1.4m. The value of the asset has subsequently increased by £1.95m, a net increase of £455,000. Aside from adding value, the acquisition also creates a more liquid asset.



### St David's Retail Park, Swansea

We have regeared the existing lease for a 20 year term (tenant break in 10 and 15 years) at a rent of £250,300 pa (£10 psf).

This letting not only increases the WAULT and improves the capital value of the asset, but also secures a national retailer on a long lease which is key to maintaining the property and location as an attractive retail destination.



### Freshford House, Bristol

Having completed a 30,000 sq ft refurbishment on time and within budget, we have subsequently let two suites to AudioGum and Strava. Both lettings are for five year terms and in excess of ERV with further space under offer.



## 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

An FCA regulated, open ended, core-style property fund. PAIF QIS

### Benchmark

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

Fund size (Net Asset Value): £243m

Triple net initial yield (% p.a.): 6.67%

Reversionary Yield: 9.08%

Number of investors: 49

Number of AEW employee investors: 4

Number of properties acquired: 67

Number of properties under offer: 4

Gearing (% of NAV): 0%

Total expense ratio: 1.09%

Capital Cash holdings (% of NAV): 4.6%

### Single price

December NAV price – £1.1603

December single price – £1.2393

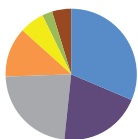
Annual management charge: 0.7% p.a.\*

### Distribution dates

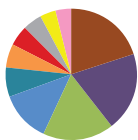
Income is allocated to investors quarterly and paid within two months of the end of the quarter during which they were earned.

\* 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 – AREF/IPD UK Property Fund Index over a three year rolling period and if the return is positive.

10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
Spectrum	Swindon	Industrial	12.25	5.04%
Trent House, Derwent House and Cranfield Innovation Centre	Cranfield	Office	12.25	5.04%
36-42 Old Christchurch Road	Bournemouth	Standard Retail	9.15	3.76%
Pryzm	Kingston-Upon-Thames	Other	8.90	3.66%
Belvedere House	Basingstoke	Office	8.55	3.52%
730 Aztec West, Waterside Drive	Bristol	Office	6.15	2.53%
Wakefield 41, Grandstand Road	Wakefield	Industrial	6.05	2.49%
18/20 St Mary's Square	Swansea	Standard Retail	5.55	2.28%
Intec Business Park	Basingstoke	Office	5.50	2.26%
Bridgefoot House	Radlett	Office	5.45	2.24%



Sector weightings	Fund	Relative weightings	
		Index	Position
Offices	31.4%	26.7%	+4.7%
Standard Retail	20.5%	10.8%	+9.7%
Industrials	22.7%	21.7%	+1.0%
Retail Warehouses	12.1%	16.1%	-4.0%
Other	6.3%	9.0%	-2.7%
Shopping Centres	2.4%	4.3%	-1.9%
City	0.0%	4.4%	-4.4%
Cash	4.6%	7.0%	-2.4%



Geographical weightings	Fund
South West	20.05%
West Midlands	19.66%
South East	17.37%
Eastern	12.54%
North West	7.28%
Yorkshire and Humberside	5.78%
Scotland	5.08%
Wales	4.58%
Rest of London	3.86%
North East	3.80%

South East exposure\*  
33.77%

\* Geographical restriction: not less than 25% exposure to the South East of the UK as defined by AEW UK (South East, Eastern and Rest of London).

Lease Profile – AEW UK Core Property Fund against the All Balanced Property Fund Index – IPD UK PPFI	AEW UK Core Property Fund	PPFI
Average weighted unexpired lease term to break	4.2 years	8.1 years
Average weighted unexpired lease term to expiry	5.2 years	9.4 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 31 December 2016 properties exchanged and completed. IPD data as at 30 September 2016.

Risk and volatility statistics	Annualised quarterly data	
	Q4, 2016	Q3, 2016
Absolute standard deviation	3.79%	3.89%
Tracking error	1.99%	2.01%
Information ratio	2.51	2.57
Beta	0.94	0.95

Source: Based on annualised data since inception and calculated by the AEW Capital Management Research Team. Benchmark is the All Balanced Property Funds Index – AREF/IPD UK Property Fund Index. These statistics are provided for information purposes only and cannot be relied upon 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.

## Key contact

### New investors

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