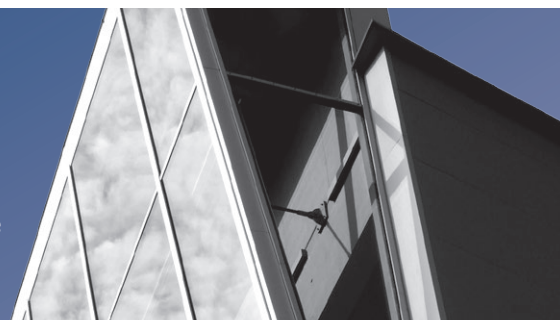


Fund Highlights

- Four year track record – annualised return of 15.4% vs 9.6% for the benchmark¹
- Over three years the Fund is the top performing fund with an annualised total return of 17.3%
- Annualised distribution yield of 7.4%²
- Governance Committee's sub pricing committee acts for the first time in Fund's 4 year life

¹ Source: AEW calculated

² Source: AREF/IPD UK Quarterly Property Fund Index – All Balanced Property for the quarter to 30 June 2016



Investment Strategy

The result of the referendum has seen increased levels of uncertainty and a subdued investment market as investors seek more clarity of the impact on the economy. The faster moving quoted real estate sector saw significant falls in share prices although a number of these have since recovered substantially. Those with the largest exposure to Central London were most heavily affected, reflecting the expectation that the City may be hardest hit by any occupational downturn. In the direct market material discounts are rumoured where the retail funds have required redemption-induced liquidity. Despite press comment, regional occupational markets appear to be broadly unaffected thus far with good tenant demand across the Fund, particularly in business space.

Cashflow

The Fund's capital cash will increase to £11.5m post period end through the sale of James House, York and subscriptions. We expect some investors will require some liquidity as a result of the Brexit vote, as we have seen in our REIT.

On launch of the Fund we introduced an independently controlled Governance Committee (GC) to deal with pricing liquidity in volatile markets. In light of the markets uncertainty the GC pricing sub committee has recommended that the manager applies a 5% discount to any investor wishing to redeem this month. Further they recommend the Fund's swinging single price switches to bid. The manager has accepted these recommendations, which will be reviewed monthly.

| Investment | 3 months | 6 months | 9 months | 12 months | 3 years |
|-------------------|----------|----------|----------|-----------|---------|
| Performance % | % | % | % | % | % |
| AEW UK Core Fund | 1.5 | 3.9 | 6.6 | 10.6 | 17.3 |
| Weighted Average | 0.1 | 1.2 | 4.1 | 7.2 | 12.5 |
| Upper Quartile | 1.7 | 3.1 | 6.1 | 9.7 | 13.8 |
| Median | 1.4 | 2.6 | 5.5 | 8.7 | 13.3 |
| Lower Quartile | 1.1 | 2.1 | 4.9 | 7.8 | 11.9 |
| Funds in Universe | 24 | | | | |

Source: All Balanced Property Fund Index – IPD UK Pooled Property Fund Index for the period ending 30 June 2016.

Asset Management

Grandstand Road, Wakefield

The surrender of the existing lease has completed with a simultaneous letting to the existing sub-tenant for a term of c. 4 years £25,000 p.a. above passing and £110,000 p.a. (22%) above ERV. The Fund received a surrender premium from the existing tenant of £350,000.*



James House, York

The Fund acquired the property for £2.1 million in December 2013 with approximately 2 years of income. Upon lease expiry an application for change of use to residential under PD was submitted. A residential developer purchased the property, exchanging contracts at £3.2 million, 52% above the acquisition price.*

Bold Street, Liverpool

A surrender premium was agreed with the existing tenant of five months' rent and a new lease simultaneously agreed with a new tenant for the ground and basement levels at 20% above passing and 10% above ERV.*



Hagley Road, Birmingham

A 10 year lease has been completed with the existing tenant at 11% above passing and 12% above ERV. The lease provides a tenant break option at year 5.*

Globe Square Industrial Estate, Dukinfield

A large unit was vacant on purchase. The unit was lightly refurbished and a new tenant recently signed for the unit on a 5 year lease, at 5.4% above ERV.*

Spectrum, Swindon

Our iconic Lord Norman Foster designed industrial building became vacant in July 2016, with the previous tenant TS Tech relocating closer to their Headquarters. Following a vacancy of less than a month, we have now successfully exchanged contracts with Coopers Tires on a 7 year lease at a greater rent than assumed in our optimistic scenario on purchase.*



* post period end

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): £236m

Triple net initial yield (% p.a.): 8.06%

Number of investors: 48

Number of AEW employee investors: 4

Number of properties acquired: 65

Number of properties under offer: 0

Gearing (% of NAV): 0%

Total expense ratio: 1.06%

Capital Cash holdings (% of NAV): 1.7%

Single price

June NAV price – 1.1719

June single price – 1.2516

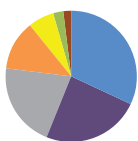
Annual management charge: 0.7% per annum*

Distribution dates

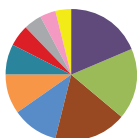
Income is allocated to investors quarterly and paid within three months of the end of the quarter during which they were earned.

* 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.

| 10 largest assets | Location | Sector | Value (GBPm) | % of Fund Value |
|--|----------------------|-----------------|--------------|-----------------|
| Spectrum | Swindon | Industrial | 11.30 | 4.79% |
| Trent House, Derwent House and Cranfield Innovation Centre | Cranfield | Office | 10.95 | 4.64% |
| Belvedere House | Basingstoke | Office | 9.35 | 3.96% |
| 36-42 Old Christchurch Road | Bournemouth | Standard Retail | 9.15 | 3.88% |
| Pryzm | Kingston-Upon-Thames | Other | 8.75 | 3.71% |
| 1/16 Salter Row, 17/21 Woolmarket | Pontefract | Standard Retail | 7.15 | 3.03% |
| Eddie Stobart Unit, Grandstand Road | Wakefield | Industrial | 5.95 | 2.52% |
| 18/20 St Mary's Square | Swansea | Standard Retail | 5.90 | 2.50% |
| Bridgefoot House | Radlett | Office | 5.40 | 2.29% |
| 730 Aztec West, Waterside Drive | Bristol | Office | 5.30 | 2.25% |



| Approximate sector weightings | Fund | Relative weightings | |
|-------------------------------|-------|---------------------|----------|
| | | Index | Position |
| Offices | 32.2% | 33.5% | -1.3% |
| Standard Retail | 24.0% | 11.3% | 12.7% |
| Industrials | 20.8% | 21.0% | -0.2% |
| Retail Warehouses | 12.4% | 16.0% | -3.6% |
| Other | 6.3% | 9.0% | -2.7% |
| Shopping Centres | 2.6% | 4.6% | -2.0% |
| Cash | 1.7% | 4.5% | -2.8% |



| Approximate geographical weightings | Fund |
|-------------------------------------|--------|
| West Midlands | 18.76% |
| South East | 17.59% |
| South West | 17.71% |
| Eastern | 11.24% |
| Yorkshire and Humberside | 9.82% |
| North West | 7.54% |
| Scotland | 5.18% |
| Wales | 4.64% |
| North East | 3.76% |
| Rest of London | 3.76% |

South East exposure*
33.3%

*Geographical restriction: not less than 25% exposure to the South East of the UK.

| Lease Profile – AEW UK Core Property Fund against the All Balanced Property Fund Index – IPD UK PPF | 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 | 5.2 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 June 2016 properties exchanged and completed. IPD data as at 31 March 2016.

| Risk and volatility statistics | Annualised quarterly data | |
|--------------------------------|---------------------------|----------|
| | Q2, 2016 | Q1, 2016 |
| Absolute standard deviation | 3.25% | 3.16% |
| Tracking error | 1.86% | 1.92% |
| Information ratio | 1.29 | 1.25 |
| Beta | 0.83 | 0.81 |

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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