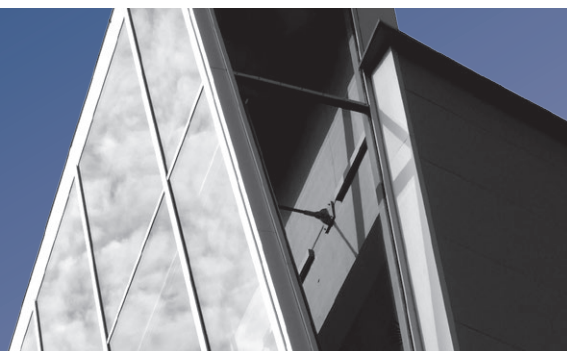


Fund Highlights

- Four year track record – annualised return of 15.9% vs 10.4% for the benchmark¹
- Over three years the Fund remains the top performing fund with an annualised total return of 17.9%
- Annualised distribution yield of 7.6%²
- The absolute return of 2.3% this quarter is lower reflecting the increase in SDLT in the budget

¹ Source: AEW calculated

² Source: AREF/IPD UK Quarterly Property Fund Index – All Balanced Property for the quarter to 31 March 2016



Investment Strategy

Concerns over Brexit have substantially put the investment market on hold with fewer institutional buyers, but not many motivated sellers. Meanwhile quarterly performance has been driven by good tenant demand for our properties and a number of bids from private investors that seem to be accessing debt from a variety of providers. An increase in SDLT in the budget depressed our valuation by about 1%, although doesn't have a cashflow impact for continuing investors. Without that change the performance would have been c. 3+% for the quarter.

Investment	3 months	6 months	9 months	12 months	3 years
Performance %	%	%	%	%	%
AEW UK Core Fund	2.3	5.0	8.9	13.2	17.9
Weighted Average	1.1	3.9	7.0	10.6	13.0
Upper Quartile	1.6	4.7	8.1	12.3	14.0
Median	1.2	4.1	7.6	11.3	13.5
Lower Quartile	0.8	3.7	6.5	9.7	12.5
Funds in Universe	24				

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

Q1 Investment Acquisitions



Ex-Morrisons Supermarket, Castle View, Castletown, Sunderland SR5 3BQ

- Prominently located retail warehouse adjacent to existing ownership
- Vacant possession
- £825,000
- £67 psf

Asset Management

MESL, Lochend Industrial Estate, Edinburgh

The May 2015 rent review has now been agreed at a rent of £267,557 pa, equating to a 16% (approx.) increase from the previous passing rent of £231,070 pa.

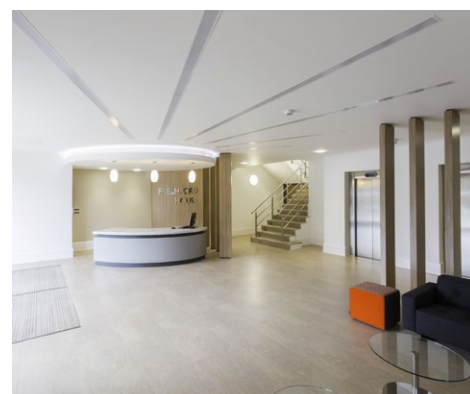


Owing to recent mergers and acquisitions, MESL Microwave Ltd is now owned by COM DEV International. COM DEV International were acquired by Honeywell in February this year.

Freshford House, Bristol

The refurbishment of Freshford House, a 30,000 sq ft office property located within Bristol City Centre, has completed on time and on budget.

The refurbishment provides much improved tenant facilities and a superior car parking ratio. In the meantime, the Bristol office market has seen a period of strong rental growth, with an approximate 10% increase over the past 18 months.



James House, James Street, York

Having acquired the property for £2.1m (£65 psf) back in December 2013, we have recently gone under offer to a local developer substantially in excess of purchase price.

On purchase the 35,000 sq ft property was let to the Secretary of State at £450,000 pa until December 2015 (2 years unexpired). Having completed the dilapidations works and submitted a Permitted Development Rights application a number of offers were received.



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): £233.3m

Triple net initial yield (% p.a.): 8.19%

Number of investors: 48

Number of AEW employee investors: 4

Number of properties acquired: 65

Number of properties under offer: 0

Gearing (% of NAV): 0.4%

Total expense ratio: 1.04%

Capital Cash holdings (% of NAV): 1.5%

Single price

March NAV price – 1.1739

March single price – 1.2538

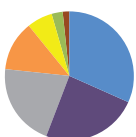
Annual management charge: 0.7% per annum*

Distribution dates

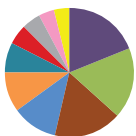
Income is allocated to investors quarterly and paid within three months of the end of the quarter during which they were earned.

* 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	4.84%
Trent House, Derwent House and Cranfield Innovation Centre	Cranfield	Office	10.95	4.69%
Belvedere House	Basingstoke	Office	9.30	3.99%
36-42 Old Christchurch Road	Bournemouth	Standard Retail	8.90	3.81%
Pryzm	Kingston-Upon-Thames	Other	8.75	3.75%
1/16 Salter Row, 17/21 Woolmarket	Pontefract	Standard Retail	7.40	3.17%
Eddie Stobart Unit, Grandstand Road	Wakefield	Industrial	5.95	2.55%
18/20 St Mary's Square	Swansea	Standard Retail	5.90	2.53%
Bridgefoot House	Radlett	Office	5.45	2.35%
Rivercourt Uxbridge	Uxbridge	Office	5.25	2.25%



Approximate sector weightings	Fund	Relative weightings	
		Index	Position
Offices	31.8%	34.0%	-2.2%
Standard Retail	24.1%	11.3%	+12.8%
Industrials	20.8%	20.8%	0.0%
Retail Warehouses	12.5%	16.3%	-3.8%
Other	6.4%	8.8%	-2.4%
Shopping Centres	2.7%	4.8%	-2.1%
Cash	1.5%	4.2%	-2.7%



Approximate geographical weightings	Fund
West Midlands	19.14%
South East	17.61%
South West	17.13%
Eastern	11.24%
Yorkshire and Humberside	10.02%
North West	7.49%
Scotland	5.08%
Wales	4.68%
North East	3.82%
Rest of London	3.79%

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	4.2 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 31 March 2016 properties exchanged and completed. IPD data as at 31 December 2015.

Risk and volatility statistics	Annualised quarterly data	
	Q1, 2016	Q4, 2015
Absolute standard deviation	3.16%	3.17%
Tracking error	1.92%	1.98%
Information ratio	1.25	0.86
Beta	0.81	0.79

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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