

## Fund Highlights

- Over three and five years the Fund was the top performing balanced fund with an annualised total return of 12.9% and 14.2% respectively<sup>1</sup>
- Average outperformance of 5.2% over 5 years against the MSCI benchmark<sup>1</sup>
- Annualised distribution yield of 4.8%<sup>1</sup>
- c.£8m traded on the secondary market in Q2 17 at NAV +1.5%

<sup>1</sup> Source: AREF/IPD All Balanced Property Fund Index – to 30 June 2017



## Investment Summary

With the backdrop of political uncertainty, many of the Fund's assets are continuing to perform well due to their location in supply-restricted markets. This underlines our commitment to buying assets where the supply demand balance remains in our favour.

We see increasing investor interest in the smaller lot sized investments and occupational markets, in particular the warehouse sector remains robust. Where we have refurbished buildings on lease expiry, mostly in the business space sectors, we are making good progress in releasing them and this should feed through to the Fund's dividend yield over the next year or so.

We are targeting new investment mainly in the warehouse and alternative sectors, funded by sales from retail and office buildings. In retail we are seeing significant economic obsolescence in smaller locations from internet retailing and in offices, the Fund has in many cases obtained consent to convert office buildings to residential use through permitted development rights (PDR). This is used to both reduce risk through additional preservation of the underlying asset value and in some cases avoid obsolescence and enhance return for our investors through disposal of the asset.

Going forward whilst the political outlook is uncertain, we remain optimistic about the outlook for our assets.

- Focus on long term capital preservation
- No exposure to London offices
- Smaller lot sizes
- Business space with modern M&E
- Targeting higher weighting to well located warehouses
- Increasing exposure with long lease/alternative sectors

## Performance

Investment Performance %	3 mths	6 mths	9 mths	1 yrs	3 yrs	5 yrs
AEW UK Core Property Fund	4.5	7.7	10.8	9.5	12.9	14.2
Weighted Average	2.3	4.4	6.7	6.0	9.5	9.0
Upper Quartile	2.8	5.1	7.5	8.0	10.5	10.2
Median	2.6	4.7	7.0	6.6	10.0	9.6
Lower Quartile	2.3	4.3	6.3	4.1	8.9	8.5
Funds in Index	25					

Source: All Balanced Property Fund Index – AREF/IPD UK Pooled Property Fund Index for the period ending 30 June 2017.

## Q2 Acquisitions

### Puma, Batley

- Established industrial location
- Passing rent of £3.18 psf
- Low capital value of £28 psf
- High net initial yield of 10.6%



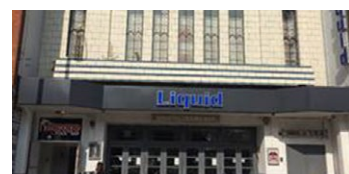
### Bloxwich Lane, Walsall

- Established industrial location
- Passing rent of £3.25 psf
- Low capital value of £38 psf
- High net initial yield 8.0%



### 233 High Street, Uxbridge

- Greater London location
- Large town centre
- Low capital value of £84 psf
- 82% of income linked to RPI



## Q2 Asset Management

### Cranfield Technology Park, Cranfield

Having initially purchased just the long leasehold, the freehold was subsequently acquired and the two interests merged. This generated considerable investor interest in the property and the decision was made to dispose of the asset. Contracts for the disposal exchanged in June 2017 for £13.4million. This reflects a c. £1million profit relative to the leasehold purchase price of £11million (June 2015) and freehold purchase price of £1.4million (December 2016).

### Intec Business Park, Basingstoke

The letting of Unit 6, Spectrum Court, Intec Business Park to Completely Events Limited completed at a rent of £8.25 per sq ft, approximately 10% above ERV. Two further units are under offer within Spectrum Court and with good levels of demand in general.



### Peartree Business Park, Dudley

Following the acquisition of the asset in Q1 2017 the lease was regeared to the incumbent tenant for a further 5 years, 16% above the passing rent with no tenant incentive.

## 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): £257.2m

Triple net initial yield (% p.a.): 6.53%

Reversionary Yield: 8.52%

Number of investors: 48

Number of AEW employee investors: 3

Number of properties acquired: 70

Number of properties under offer: 0

Gearing (% of NAV): 0%

Total expense ratio: 1.13%

Capital Cash holdings (% of NAV): 2.47%

### Single price

June NAV price – £1.2210

June single price – £1.3041

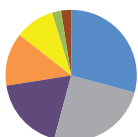
Annual management charge: 0.7% p.a.\*

### Distribution dates

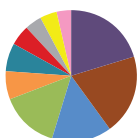
Income is allocated to investors quarterly and paid within two months of the end of the quarter during which they were earned.

\* 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
Trent House, Derwent House and Cranfield Innovation Centre	Cranfield	Office	13.40	5.34%
Spectrum	Swindon	Industrial	12.70	5.06%
Pryzm	Kingston-Upon-Thames	Other	10.30	4.11%
36-42 Old Christchurch Road	Bournemouth	Standard Retail	9.75	3.89%
Freshford House	Bristol	Office	6.95	2.77%
730 Aztec West, Waterside Drive	Bristol	Office	6.85	2.73%
Wakefield 41, Grandstand Road	Wakefield	Industrial	6.80	2.71%
Bridgefoot House	Radlett	Office	6.25	2.49%
Cresta House	Luton	Office	6.05	2.41%
Intec Business Park	Basingstoke	Office	5.75	2.29%



AREF/IPD sector weightings	Fund	Relative weightings	
		Index	Position
● Offices	29.3%	25.8%	+3.5%
● Industrials	25.1%	23.2%	+1.9%
● Standard Retail	18.3%	10.9%	+7.4%
● Retail Warehouses	12.9%	16.0%	-3.1%
● Other	9.7%	9.3%	+0.4%
● Shopping Centres	2.2%	4.0%	-1.8%
● City	0.0%	4.1%	-4.1%
● Cash	2.5%	6.6%	-4.1%



AREF/IPD geographical weightings	Fund
● West Midlands	20.42%
● South West	19.59%
● Eastern	14.87%
● South East	14.46%
● Yorkshire and Humberside	6.95%
● North West	6.78%
● Scotland	5.24%
● Wales	4.15%
● Rest of London	4.11%
● North East	3.44%
Central London, East Midlands, Northern Ireland	0.00%

South East exposure\*  
33.44%

\* 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 PPF	AEW UK Core Property Fund	PPFI
Average weighted unexpired lease term to break	4.6 years	7.2 years
Average weighted unexpired lease term to expiry	5.5 years	8.4 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 (properties exchanged and completed) and IPD data as at 30 June 2017.

Risk and volatility statistics	Annualised quarterly data	
	Q2, 2017	Q1, 2017
Absolute standard deviation	3.63%	3.69%
Tracking error	1.93%	1.93%
Information ratio	2.66	2.56
Beta	0.95	0.94

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

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