

Fund Highlights

- Over three and five years the Fund was the top performing balanced fund with an annualised total return of 13.7% and 13.9% respectively¹
- Average outperformance of 5.4% over 5 years against the MSCI benchmark¹
- Annualised distribution yield of 5.5%¹
- c.£2m traded on the secondary market in Q1 17 at NAV +2%

¹ Source: AREF/IPD All Balanced Property Fund Index – to 31 March 2017



Investment Strategy

As negotiations around Brexit continue, investor flows into open ended funds like ours have slowed, as many global investors defer decisions. This has given the Fund a good window to do some “housekeeping” across the portfolio and sell a number of our assets with weaker prospects going forward, often at a premium to valuation. We have experienced notable asset management success in gaining valuable change of use consents on a number of income producing buildings and a number more are in the pipeline, which demonstrates the benefits of our Value style focusing on intrinsic worth. We are reinvesting the proceeds mainly in the alternative and warehouse sectors, which is increasing our WAULT.

Our efforts are focused on delivering income for our investors. We are very aware that as a result of buildings being sold or leased, our income has reduced in recent periods although it remains high. This will wash through in the next year or so as rents start to flow, which should take our income, off the current valuation, comfortably back into the 7’s based on our analysis.

It is pleasing that as the Fund has now passed its five year anniversary, to see it ranked No1 in the MSCI pooled fund survey over both three and five years, even if the top slot over one year is occupied by the AEW UK Real Return Fund. The high and growing income of the portfolio is no guarantee for future outperformance, but in an uncertain market, it is a good place to start.

Performance

Investment	3 mths	6 mths	9 mths	12 mths	3 yrs	5 yrs
Performance %	%	%	%	%	%	%
AEW UK Core Property Fund	3.1	6.0	4.8	6.4	13.7	13.9
Weighted Average	2.0	4.3	3.6	3.7	10.2	8.5
Upper Quartile	2.5	4.8	5.1	5.5	11.2	9.9
Median	2.1	4.4	3.9	3.7	10.6	9.1
Lower Quartile	1.8	4.0	1.9	3.1	9.5	8.1
Funds in Universe	25					

Source: All Balanced Property Fund Index – AREF/IPD UK Pooled Property Fund Index for the period ending 31 March 2017.

Q1 Acquisitions

Block L, Peartree Business Park, Dudley

- Established industrial location
- Low capital value of £48 psf
- High initial yield of 7.8%
- Reversionary



Planet Ice, Milton Keynes

- South East town centre location
- 20 year lease with RPI reviews
- Low passing rent at £5.90 psf
- Reversionary



Mecca Bingo, Luton

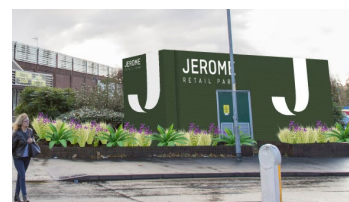
- Long term redevelopment potential, subject to planning
- Income secured against a strong covenant
- High initial yield of 7.7%
- Large site area of 3.7 acres



Q1 Asset Management

Jerome Retail Park, Walsall

Having gone through protracted 54 Act renewal procedures, we have signed up Argos on a straight 5 year term at a rent of £247,500 pa.



730 Aztec West, Bristol

We have completed the letting of 11,399 sq ft of office space to Taylor Wimpey at a rent of £205,182 pa (£18.00 psf).



Freshford House, Bristol

We have let 4,738 sq ft of office space to Fujitsu on a 5 year lease at a rent of £108,974 pa (£23.00 psf). Fujitsu is the third new occupier in this building.



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): £248.4m

Triple net initial yield (% p.a.): 6.75%

Reversionary Yield: 8.78%

Number of investors: 49

Number of AEW employee investors: 3

Number of properties acquired: 69

Number of properties under offer: 2

Gearing (% of NAV): 0%

Total expense ratio: 1.14%

Capital Cash holdings (% of NAV): 4.78%

Single price

March NAV price – £1.1812

March single price – £1.2615

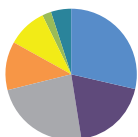
Annual management charge: 0.7% p.a.*

Distribution dates

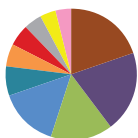
Income is allocated to investors quarterly and paid within two months of the end of the quarter during which they were earned.

* 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	12.45	5.01%
Trent House, Derwent House and Cranfield Innovation Centre	Cranfield	Office	12.25	4.93%
36-42 Old Christchurch Road	Bournemouth	Standard Retail	9.35	3.76%
Pryzm	Kingston-Upon-Thames	Other	9.15	3.68%
730 Aztec West, Waterside Drive	Bristol	Office	6.55	2.64%
Eddie Stobart Unit, Grandstand Road	Wakefield	Industrial	6.05	2.44%
Freshford House	Bristol	Office	6.00	2.42%
Cresta House	Luton	Office	5.90	2.38%
Intec Business Park	Basingstoke	Office	5.60	2.25%
Bridgefoot House	Radlett	Office	5.55	2.23%



Sector weightings	Fund	Relative weightings	
		Index	Position
Offices	28.6%	26.2%	+2.4%
Standard Retail	19.1%	10.9%	+8.2%
Industrials	23.5%	22.2%	+1.3%
Retail Warehouses	12.0%	15.8%	-3.8%
Other	9.6%	9.1%	+0.5%
Shopping Centres	2.3%	4.2%	-1.9%
City	0.0%	4.4%	-4.4%
Cash	4.8%	7.2%	-2.4%



Geographical weightings	Fund
South West	19.99%
West Midlands	19.75%
South East	15.38%
Eastern	14.75%
North West	7.18%
Yorkshire and Humberside	5.70%
Scotland	5.29%
Wales	4.41%
Rest of London	3.88%
North East	3.68%

South East exposure*
34.00%

* 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	4.8 years	7.3 years
Average weighted unexpired lease term to expiry	5.8 years	8.6 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 31 March 2017.

Risk and volatility statistics	Annualised quarterly data	
	Q1, 2017	Q4, 2016
Absolute standard deviation	3.69%	3.79%
Tracking error	1.93%	1.99%
Information ratio	2.56	2.51
Beta	0.94	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.

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