

Quarterly Update

Q4 17



AREF/IPD Performance Award
5-year, risk-adjusted, relative return

AEW UK Core Property Fund | Best risk-adjusted return over a 5-year period to Q2, 2017 relative to the AREF/IPD UK Quarterly Property Fund Index (UK PFI)

WINNER

Fund Highlights

- Over one, three and five years the Fund was the top performing balanced fund with an annualised total return of 15.2%, 11.6% and 14.7% respectively¹
- Average outperformance of 4.4% over 5 years against the MSCI benchmark¹
- Annualised distribution yield of 4.8%¹
- Reduced vacancy of 10.2% at end of Q4, further reducing to below 8% in Q1 2018

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

Investment Summary

By the time this goes to print we will be in 2018 and perhaps closer to the mist around Brexit clearing. We remain hopeful that this will unlock some of the 'global investor' log jam we see.

Whilst much has been written about the slower growth in the UK economy, it's clear that, as yet, the healthy supply and demand balance in the subsectors we invest in continues to give good performance.

We continue to sell retail and office assets at good prices relative to valuations and redeploy in the warehouse and alternative sectors. Letting and transactional activity still seem on course to increase our distribution yield to above 6% somewhat faster than previously indicated in the coming year, with perhaps some post-Christmas retailer insolvency as a most likely depressing factor if they occur.

Vacancy

We have exchanged contracts to sell Tangent Court, Solihull and placed under offer Cresta House, Luton. Assuming they complete, the fund's vacancy will reduce to below 8%.

Performance

Investment Performance %	3 mths	6 mths	9 mths	1yr	3 yrs	5 yrs
AEW UK Core Property Fund	3.5	6.9	11.7	15.2	11.6	14.7
Weighted Average	3.1	5.6	8.0	10.2	8.4	10.3
Upper Quartile	3.4	6.1	9.1	11.4	9.5	11.4
Median	3.3	5.7	8.3	10.3	8.8	10.6
Lower Quartile	2.9	5.4	7.6	9.7	8.0	9.6
Funds in Index	25					

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

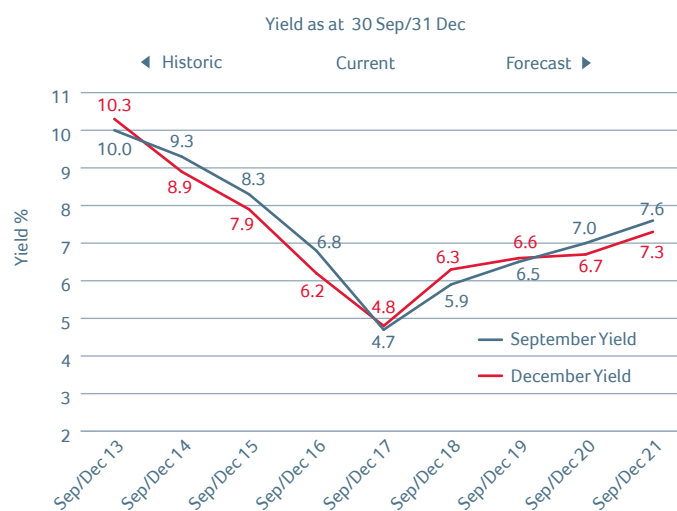
Q4 Disposals

Freshford House, Bristol

Having carried out a comprehensive refurbishment of the property and subsequently fully let it, achieving a WAULT to expiry of 8.16 years, we have now sold the property for £9.8m. The property was originally acquired for £3.6m back in 2014 and we spent £1.2m on refurbishment.



High yielding since inception



Source: Historic & current distribution yield – AREF/IPD UK All Balanced Property Funds Index. Projected annual distribution yield – Calculated by AEW and based on NAV as at 30 September 2017 and 31 December 2017. Note: These projections are subject to change and there is no guarantee that forecast dividends will be achieved.

Q4 Asset Management

School Brow Retail Park, Warrington

We have regeared the Staples lease to Office Outlet until 2024. The achieved rent is £150,000 pa.

St Mary's Square, Swansea

After protracted 1954 Act procedures, we have renewed the HMV lease on a 5 year term with a 3 year break at £190,000 pa with no rent free period.

Globe Square Industrial Estate, Manchester

We have completed 25,142 sf of lettings amounting to £106,665 pa of new income.

Commercial Road, Portsmouth


We have renewed The Bank of Scotland's (trading as Halifax) two leases for a period of 5.5 years at a combined rent of £150,000 pa with no rent free periods.

Q4 Acquisitions

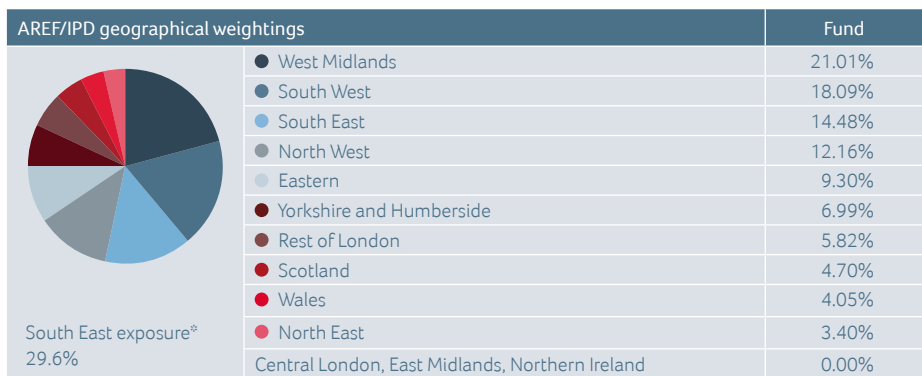
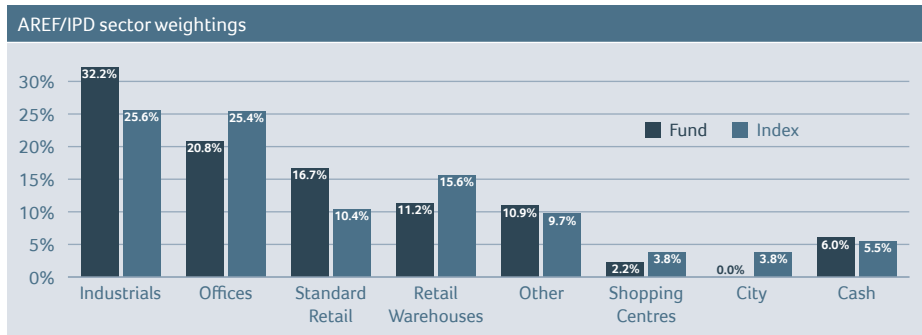
The Bear, Widnes

- Single let high bay industrial warehouse
- Low passing rent (£2.75 psf)
- Reversionary
- Low capital value psf (£35)



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): £269.6m	
Triple net initial yield (% p.a.): 6.82%	
Reversionary Yield: 8.48%	
Number of investors: 48	
Number of AEW employee investors: 3	
Number of properties acquired: 70	
Number of properties under offer: 4	
Gearing (% of NAV): 0%	
Total expense ratio: 1.14%	
Capital Cash holdings (% of NAV): 5.96%	
Single price NAV price – £1.2715 Single price – £1.3579	
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 p.a., 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
Spectrum	Swindon	Industrial
Pryzm	Kingston-Upon-Thames	Other
Bargain booze	Crewe	Warehouse
36–42 Old Christchurch Rd	Bournemouth	Standard Retail
730 Aztec West	Bristol	Office
Wakefield 41 Unit, Grandstand Rd	Wakefield	Industrial
Bridgefoot House	Radlett	Office
Cresta House	Luton	Office
Intec Business Park	Basingstoke	Office
18/20 St Mary's Square	Swansea	Standard Retail



* 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	4.7 years	7.2 years
Average weighted unexpired lease term to expiry	5.8 years	8.5 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 December 2017.

Risk and volatility statistics	Annualised quarterly data	
	Q4, 2017	Q3, 2017
Absolute standard deviation	3.46%	3.55%
Tracking error	1.88%	1.89%
Information ratio	2.61	2.68
Beta	0.93	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.

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