

Quarterly Update

Q3 19

Fund Highlights

- Over one, three, five and seven years the Fund was the top performing balanced fund with an annualised total return of 6.3%, 10.8%, 10.9% and 12.8% respectively
- Average out performance of 3.4% p.a. over 5 years and 5.0% p.a. since inception over seven years ago against the MSCI benchmark¹
- Annualised distribution yield of 5.2%¹

¹ Source: MSCI/AREF UK Quarterly Property Fund Index – to 30 September 2019.



Market Outlook

Another “last chance saloon” for a UK Brexit deal, and still no real idea for UK business about what happens next! UK real estate is impacted by tenants needs rather than weight of cash at present, although many investors seem to be getting ready for post Brexit!

WeWork and internet retail seems to be sending shock waves through the market, but elsewhere things are in good shape. The more regionally based assets we own seem resilient and income asset management continues to drive returns.

GRESB 2019

This year the Fund saw a further improvement in its GRESB score (from 58 in 2018 to 65 in 2019). The Fund achieved a GRESB rating of two stars and was also awarded the additional ‘green star’ status.

Q3 Acquisitions

Jamage Industrial Estate, Stoke-on-Trent

- 2 industrial units let on a low average passing rent of £3.70 per sq ft
- Attractive net initial yield of 8.0%, equating to £44 per sq ft capital value
- Strategically located adjacent to an existing Core Fund asset
- Total investment now £7.1m, initial yield of 8.2%



Kayley Industrial Estate, Ashton Under Lyne

- 154,048 sq ft warehouse in established industrial location
- 6.5% NIY equating £54 psf capital value
- Strategically located adjacent to an existing Core Fund asset
- Total investment now £16.0m, initial yield of 6.8%



Booker Ltd, Folkestone

- South East industrial unit let to Booker Ltd
- Investment price below vacant possession value
- Tenant has been in occupation since 1989
- Attractive reversionary yield of 7.7%



Performance

Investment Performance %	3 mths	6 mths	9 mths	1 yr	3 yrs	5 yrs
AEW UK Core Property Fund	0.9	2.8	4.9	6.3	10.8	10.9
Weighted Average	0.4	1.0	1.3	2.2	6.7	7.5
Upper Quartile	0.7	1.4	2.1	3.9	8.0	8.7
Median	0.6	1.2	1.5	2.9	7.1	8.1
Lower Quartile	0.3	0.7	1.0	2.2	6.5	7.3
Funds in Index	27					

All Balanced Property Fund Index – MSCI/AREF UK Quarterly Property Fund Index – to 30 September 2019.

Q3 Disposals

Argos Extra, Chester

- Vacant retail unit located on declining retail pitch
- Sold to hotel developer

30A (Kiosk), South Gyle Business Park, Edinburgh

- Asset size not suited to Fund requirements
- Sold in excess of valuation

Ex-Morrisons, Sunderland

- Vacant supermarket
- Sold for 65% in excess to valuation

Flats 2 & 8 Imperial Arcade, Brighton

- Flats sold above valuation
- Assets not part of asset management development initiative for rest of Imperial Arcade

Upper Parts, 21–25 Bold Street, Liverpool

- Exchanged at a price of £575,000, significantly higher than valuation
- Overage payment agreed depending on number of units

Q3 Asset Management

Globe Square Industrial Estate, Manchester

We have completed two lettings to an existing tenant amounting to £140,000 p.a. new income for the estate which is now fully let.



Schoolbrow Retail Park, Warrington

We have exchanged an agreement for lease with Farm Foods to expand on a new 15 year straight term.



Fund Facts

Portfolio Manager
Richard Tanner



Fund objective

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

UK All Balanced Property Fund Index – MSCI/AREF UK Quarterly Property Fund Index – weighted average

Fund size (Net Asset Value): £301.3m

Triple net initial yield (% p.a.): 6.49%

Reversionary Yield: 8.18%

Reinvestment: Yes, quarterly

Number of investors: 51

Number of AEW employee investors: 3

Number of properties: 64

Number of properties under offer: 0

Gearing (% of NAV): 0.00%

Total expense ratio: 1.12%

Capital Cash holdings (% of NAV): 2.85%

Single price

NAV price – £1.3309

Single price – £1.4214

For historical pricing please see www.aewuk.co.uk

Subscriptions and redemptions

Monthly – subject to ability to defer

Annual management charge: 0.7% of NAV 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.

* Performance fee

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 – MSCI/AREF UK Property Fund Index over a three year rolling period and if the return is positive.

Key contact



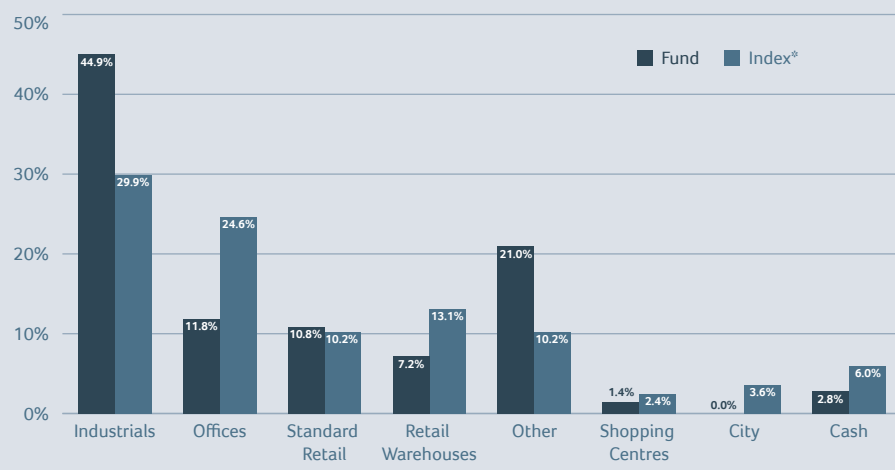
Investor Relations

Kari Clarke

kari.clarke@eu.aew.com

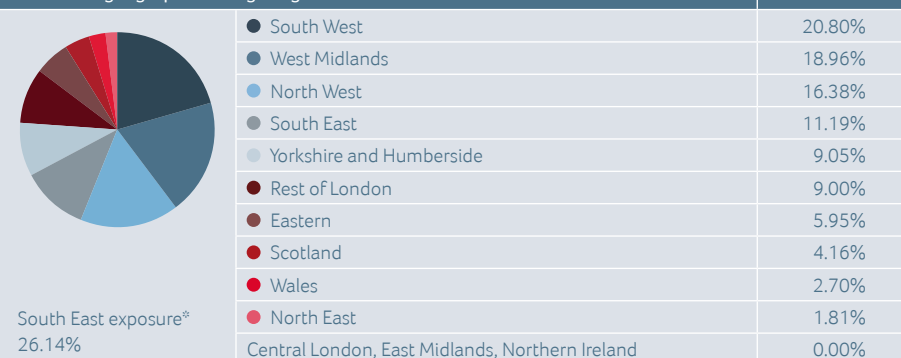
T: 020 7016 4804

MSCI/AREF sector weightings



* Source: MSCI/AREF UK Quarterly Property Fund Index – to 30 September 2019.

MSCI/AREF geographical weightings



* 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 PPF1	AEW UK Core Property Fund	PPFI
Average weighted unexpired lease term to break	4.7 years	7.1 years
Average weighted unexpired lease term to expiry	6.2 years	8.5 years

Source: Figures calculated by AEW for the Fund; MSCI benchmark figures include funds within the UK All Balanced Property Fund Index. AEW UK Core Property Fund data (properties exchanged and completed) and MSCI data as at 30 September 2019.

Risk and volatility statistics	Annualised quarterly data	
	Q3, 2019	Q2, 2019
Absolute standard deviation	3.33%	3.29%
Tracking error	1.75%	1.76%
Information ratio	2.62	2.65
Beta	0.97	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 – MSCI/AREF UK Quarterly 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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