

Quarterly Update

Q1 19

Fund Highlights

- Over one, three, five and seven years the Fund was the top performing balanced fund with an annualised total return of 8.9%, 9.9%, 12.9% and 13.3% respectively¹
- Average out performance of 3.8% p.a. over 5 years and 5.1% p.a. since inception seven years ago against the MSCI benchmark¹
- Annualised distribution yield of 5.5%¹

¹ Source: MSCI/AREF UK Quarterly Property Fund Index – to 31 March 2019.

Market Outlook

Kicking the Brexit can down the road by six months has prolonged the “slow puncture” impact on the UK economy. Gradually Brexit risks are becoming election risks in the eyes of investors. That said, for now, this uncertainty is keeping the supply and demand balance, outside retail, in check which is helpful to long term investors.

The relatively positive performance for the Fund masks a lot of movements within the Fund, with retail assets being marked down heavily, business space assets being marked up and significant transaction costs incurred repositioning the portfolio towards leisure and away from retail and offices. This repositioning is likely to continue during the year, as a number of initiatives reach completion.

Following a brief swing to bid price for the Fund, as a couple of investors representing about 1.5% of the Fund’s NAV chose to redeem rather than wait to transact on the secondary market, the Fund has moved back to offer price again. Currently we are unaware of any other investors wishing to redeem, but would anticipate some units trading on the secondary market as early investors will be tempted to “lock in” the very strong returns achieved from our early smaller lot sized stock selection and others are attracted by the somewhat larger lots sized, warehouse and leisure positioning we are now creating, which might once again include a very selective and modest exposure to Central London offices.

Performance

Investment Performance %	3 mths	6 mths	9 mths	1yr	3 yrs	5 yrs
AEW UK Core Property Fund	2.0	3.4	5.3	8.9	9.9	12.9
Weighted Average	0.3	1.2	2.8	4.8	6.1	9.1
Upper Quartile	0.8	2.5	4.3	6.9	7.7	10.1
Median	0.5	1.7	3.6	5.8	6.3	9.3
Lower Quartile	0.1	1.3	2.8	4.7	5.9	8.7
Funds in Index	27					

All Balanced Property Fund Index – MSCI/AREF UK Quarterly Property Fund Index – to 31 March 2019.

Q1 Asset Management

Grandstand Road, Wakefield

In August 2018, we signed an agreement for lease to extend the existing industrial unit. We have now completed the extension which has doubled the size of the unit to 200,000 sq ft. The new lease reflects an 11 year term, with RPI linked reviews.



Jamage Industrial Estate, Stoke on Trent

We have completed a 3 year reversionary lease commencing in June 2020 at an increased rent of £220,000 p.a.



Aztec West, Bristol

We have completed the letting of the second floor on a 10 year lease with a break in year 5. The tenant is guaranteed by JLL (5A1). The rental tone is ahead of valuation and comfortably above the ERV on purchase. This letting will reduce the Fund’s vacancy level by approximately 1%.



Kayley Industrial Estate, Ashton under Lyne


Having completed external cladding installations and decorations, as well as refurbishing vacant units, we have completed approx. £300,000 p.a. of deals in the past quarter.



St David’s Retail Park, Swansea

We have exchanged on a straight 15 year lease with RPI linked reviews to Bay Leisure Ltd (trading as Simply Gym), a strong leisure operator.



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 All Balanced Property Fund Index – MSCI/AREF UK Quarterly Property Fund Index – weighted average	
Fund size (Net Asset Value): £298.4m	
Triple net initial yield (% p.a.): 6.77%	
Reversionary Yield: 8.01%	
Reinvestment: Yes, quarterly	
Number of investors: 50	
Number of AEW employee investors: 3	
Number of properties: 65	
Number of properties under offer: 1	
Gearing (% of NAV): 0.00%	
Total expense ratio: 1.12%	
Capital Cash holdings (% of NAV): 6.07%	
Single price NAV price – £1.3251 Single price – £1.4153 For historical pricing please see www.aewuk.co.uk	
Subscriptions and redemptions Monthly – subject to ability to defer	
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.	
* 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 Quarterly Property Fund Index over a three year rolling period and if the return is positive.	

Q1 Disposals

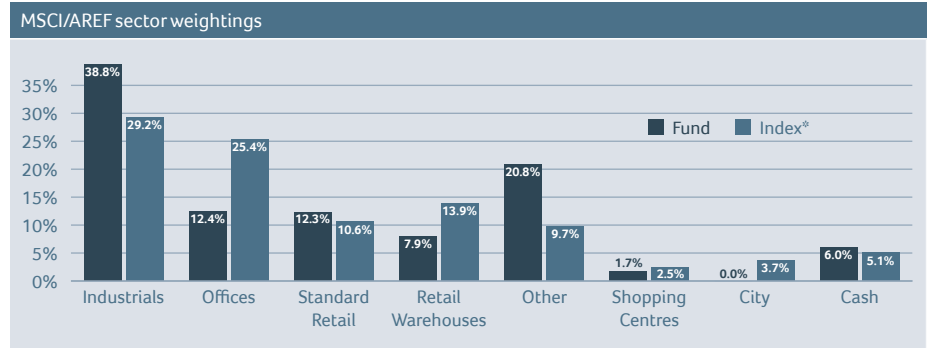
Wickes, Scunthorpe

- Prominently situated and easily accessible, purpose built retail warehouse unit
- Sold for £2.7m



34 South Gyle Crescent, Edinburgh

- Vacant office building
- Sold to owner occupier
- Sold for £1.1m



* Source: MSCI/AREF UK Quarterly Property Fund Index – to 31 March 2019.



* 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	4.4 years	7.1 years
Average weighted unexpired lease term to expiry	6.3 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 31 March 2019.

Risk and volatility statistics	Annualised quarterly data	
	Q1, 2019	Q4, 2018
Absolute standard deviation	3.32%	3.35%
Tracking error	1.80%	1.82%
Information ratio	2.59	2.52
Beta	0.95	0.97

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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