

# Quarterly Update

Q3 20

Open-ended fund with a diversified, multi sector portfolio of commercial property assets throughout the UK. AEW UK Core Property Fund aims to achieve superior investment returns through relatively high income returns, strong stock selection and active management of all assets.



## Key Statistics

**£269.8m**

Fund size  
(Net Asset Value)

**5.1%<sup>1</sup>**

Annualised  
distribution yield

**64**

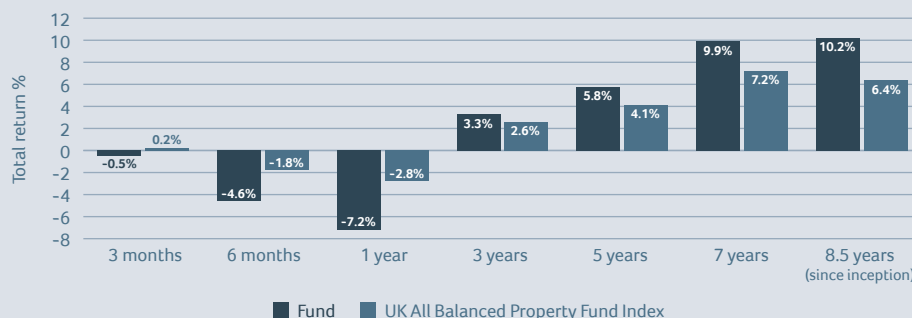
Number of properties

**5.8 years**

WAULT to expiry

<sup>1</sup> Source: MSCI/AREF UK Quarterly Property Fund Index – to 30 September 2020.

## Performance



All Balanced Property Fund Index – MSCI/AREF UK Quarterly Property Fund Index – to 30 September 2020.

## Market Update

The UK seems to have been struggling in recent years, first following the Brexit vote and now as one of the worst impacted economies by COVID-19. Whilst we are seeing some light at the end of the tunnel over Brexit negotiations, the press are painting a very dark picture around the prospects for a long winter of COVID restrictions. That said, it would seem that the mortality rate in second spike countries is much lower than in the spring, and with talk about a vaccine we can hope that by spring, or even sooner, things might look brighter and we can start on the long road to rebuilding the economy. Retail and leisure assets have been heavily impacted by the Government's response to the pandemic, whilst warehouses and residential have been very resilient, hence the term "beds and sheds". Offices now seem to have a medium term risk associated with them following increased home working, which looks like it might be enough to unsettle the supply demand balance in this sector. It seems likely that the "sell in town retail and buy out of town warehouses" strategy might be peaking out. Warehouses have performed very strongly, with the price point set to allow for increased supply, whilst a number of retail and leisure assets are worth more as sites for residential or other alternative uses. The markets, as in the 1990s TMT bubble, are sending very different signals about pricing. Land Securities Group, which has historically been seen as the proxy for the

UK real estate market, has seen its share price roughly down 50%, whilst the average pooled fund measured by MSCI has posted returns of around -3% for the year. These differences can't continue for long as we saw 20 years ago.

## Fund Update

The Fund is positioned heavily in the "sheds" sector, with additional undeveloped land on some estates to bring forward. Some of these properties have doubled or tripled in value in recent years. Our retail and leisure assets are increasingly underpinned by alternative uses as we rotate out of weaker stock and take advantage of the market opportunities, which effectively form our "beds" strategy, often with other commercially viable uses for the sites as well. Our rent collection of 72% in Q3 appears to be performing well in light of the Government restrictions. As we have seen in other shock markets, our value strategy has led to the Fund's performance being poor during COVID-19 in relative and absolute terms. This is in sharp contrast to our recent win of MSCI's top performing balanced fund of its size in the last 3 years! Shock markets tend to move towards perceived safety with longer leases, creating a medium term opportunity for value managers. This market seems no different and indeed we are busy both buying and selling assets as the summer has moved into autumn. Over the next few years this will result in some sales from our warehouse portfolio and reinvestment in some of our biggest cities.

## Asset Management

### Weston Road, Crewe

We have recently been granted planning approval for two separate applications at Weston Road, Crewe. One scheme provides for demolition and a 111,000 sq ft warehouse extension, and the other a 182,000 sq ft extension.

### Drive-thru, Hengrove, Bristol

We have recently been granted planning permission for a new Costa drive-thru pod at our Hengrove, Bristol asset. The agreement for lease reflects an unbroken 15 year term with RPI linked reviews. We are due to start on site soon, with Practical Completion anticipated for the middle of 2021.

### The Kursaal, Southend-on-Sea

We have completed a strategic surrender of Rendezvous Casino's lease, which expires in September 2025, for a premium of £1.28m, equivalent to 3.25 years rent. In doing so we have achieved VP of the property allowing for repurposing as alternative uses.

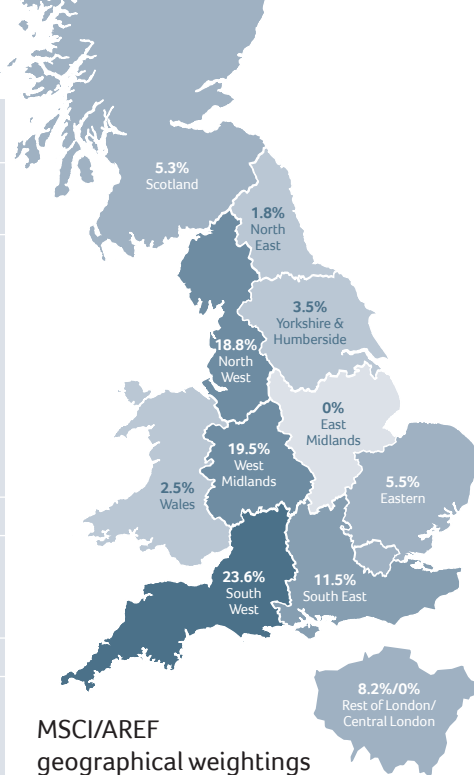
### Above Bar Street, Southampton

We have completed a 5 year reversionary lease to The Works at £15,750 p.a. above ERV. The regear has resulted in 7 years term certain.

### 21 Bold St, Liverpool

We have completed a 5 year lease renewal to Greggs, a national retailer with a 5A1 covenant, at above ERV, setting a rental tone for the rest of the ground floor retail units.

<b>Fund Facts</b>	
<b>Portfolio Manager</b> Richard Tanner	
<b>Fund objective</b> 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.	
<b>Launch date:</b> Q1, 2012	
<b>Fund structure</b> An FCA regulated, open ended, core-style property fund. PAIF QIS	
<b>SRI policy:</b> <a href="#">Click here</a>	
<b>Benchmark</b> UK All Balanced Property Fund Index – MSCI/AREF UK Quarterly Property Fund Index – weighted average	
<b>Fund size (Net Asset Value):</b> £269.8m	
<b>Triple net initial yield (% p.a.):</b> 6.8%	
<b>Reversionary Yield:</b> 8.5%	
<b>Reinvestment:</b> Yes, quarterly	
<b>Number of investors:</b> 51	
<b>Number of AEW employee investors:</b> 3	
<b>Number of properties:</b> 64	
<b>Occupancy rate:</b> 84.6%	
<b>Property purchases under offer:</b> 2	
<b>Property sales under offer:</b> 2	
<b>WAULT to expiry (to break):</b> 5.8 years (4.4 years)**	
<b>Gearing (% of NAV):</b> 0.0%	
<b>Total expense ratio:</b> 1.16%	
<b>Capital Cash holdings (% of NAV):</b> 8.1%	
<b>Single price</b> NAV price – £1.1765 Single price – £1.1685 For historical pricing please see <a href="http://www.aewuk.co.uk">www.aewuk.co.uk</a>	
<b>Subscriptions and redemptions</b> Monthly – subject to ability to defer	
<b>Annual management charge:</b> 0.7% of NAV p.a.*	
<b>Distribution dates</b> Income is allocated to investors quarterly and paid within two months of the end of the quarter during which they were earned.	
<b>* Performance fee</b> 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. ** Source: AEW as at 30 September 2020.	



### MSCI/AREF geographical weightings

South East exposure: 25.2%\*

\* 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).

### Top 10 Tenants (by income)

Tenant	Income %
Bestway Ltd	5.5%
The Deltic Group Limited	4.8%
Cooper Tire & Rubber Company Europe Ltd	4.5%
Vue Entertainment Ltd	3.9%
Whitcroft Lighting Ltd	3.0%
Cine-UK Ltd	2.9%
George Wilson Industries Ltd	2.5%
David Lloyd Leisure Limited	2.4%
National Veterinary Services Ltd	2.1%
Nortek Global HVAC (UK) Ltd	2.1%

### Top 10 Assets (by value)

Asset	Value %
Kayley Industrial Estate, Manchester	6.4%
Spectrum Mead Way, Swindon	5.2%
Broadmead & Merchant Square, Bristol	4.7%
Weston Road, Crewe	4.6%
Hengrove Leisure Park, Bristol	4.5%
Pryzm, Kingston Upon Thames	3.6%
London East Leisure Park, Dagenham	3.6%
Old Christchurch Road, Bournemouth	3.0%
Jamage Industrial Estate, Stoke-on-Trent	2.6%
Lincoln's Inn Office Village, & Anglo Office Park, High Wycombe	2.6%

### Acquisitions



#### 44-46 The Horsefair, Bristol

- Multi-let retail investment
- Located in the heart of the city centre in the immediate vicinity of a major mixed-use development pipeline
- Next door to existing AEW ownership
- Purchased for £1.0m



#### 42-42A The Horsefair, Bristol

- Single let retail investment
- Located in the heart of the city centre in the immediate vicinity of a major mixed-use development pipeline
- Next door to existing AEW ownership
- Purchased for £1.0m

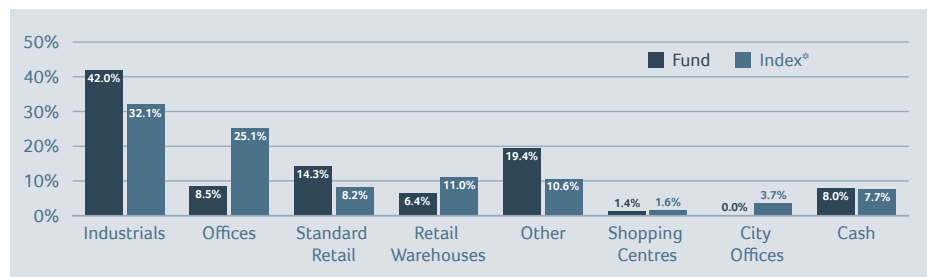
### Disposal



#### 730 Aztec West

- Multi-let office located on Aztec West Business Park
- Purchased in 2013 for £3.2m
- Business Plan completed after refurbishment works and new lettings
- Sold for £9.1m

### MSCI/AREF sector weightings



\* Source: MSCI/AREF UK Quarterly Property Fund Index – to 30 September 2020.

### Key contact



#### Investor Relations

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