

# Quarterly Update

# Q4 19

## Fund Highlights

- Over one, three, five and seven years the Fund was the top performing balanced fund with an annualised total return of 5.5%, 10.0%, 9.9% and 12.6% respectively
- Average out performance of 3.3% p.a. over 5 years and 4.9% since inception over seven years against the MSCI benchmark<sup>1</sup>
- Annualised distribution yield of 5.4%<sup>1</sup>

<sup>1</sup> Source: MSCI/AREF UK Quarterly Property Fund Index – to 31 December 2019.



## Market Outlook

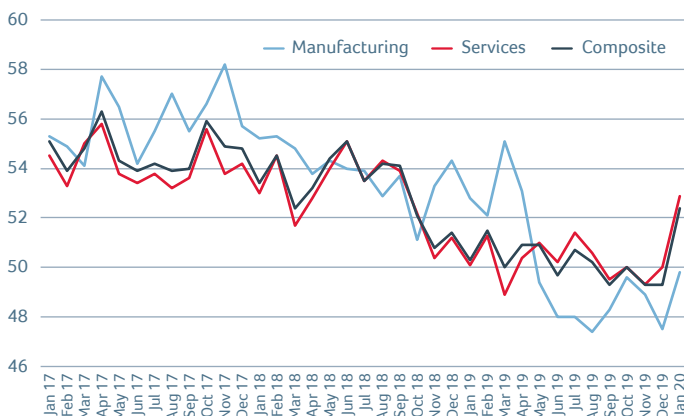
Valuations react much more slowly than transactions to changes in market sentiment and whatever the prospects longer term, investors seem to be marking the market higher in post election 2020.

The purchasing managers' index is showing increased confidence, which is certainly apparent in our portfolio. This is likely to result in short term increased cash levels in the Fund and perhaps some increased vacancy as we complete some active asset management initiatives, which should ultimately feed through to performance if the trend continues.

In the retail sector we are active in both selling properties for alternative uses and purchasing others that are similarly supported by a variety of uses in strong locations.

### Purchasing managers index

Above 50 = a majority of business reporting expansion



Sources: IHS Markit, Bloomberg

## Performance

Investment Performance %	3 mths	6 mths	9 mths	1 yr	3 yrs	5 yrs
AEW UK Core Property Fund	0.6	1.5	3.5	5.5	10.0	9.9
Weighted Average	0.3	0.7	1.3	1.6	6.0	6.6
Upper Quartile	0.5	1.3	1.8	2.5	7.4	7.7
Median	0.3	0.9	1.6	2.1	6.6	7.4
Lower Quartile	0.1	0.5	1.0	1.4	6.0	6.5
Funds in Index	27					

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

## Q4 Asset Management

### New Look, Coventry

The tenant did not action their March 2020 break. Attractive current yield of 17.5% and a capital value of £35 psf.



### Grazebrook Industrial Estate, Dudley

We have completed a 5 year lease renewal on a 35,000 sq ft unit at 34% above ERV, setting a new rental tone for the estate.



### Leisure Park, Bristol

We have completed a 20 year reversionary lease to McDonald's from 2023 in exchange for only 9 months' rent free.



### Aztec West, Bristol

We have completed a new 10 year lease with a 5 year break at 6% above ERV.



### Kayley Industrial Estate, Manchester

We have received planning approval for a 16,000 sq ft small unit scheme on the front of the estate. Given the units' roadside frontage, we anticipate attracting trade-counter occupiers paying higher rents of £9 psf. The estate's overall prominence will also be improved.



### The Rivergate Shopping Centre, Peterborough

Over the past quarter we have completed 7 temporary lettings, with now only 3 vacant units in the scheme. Flexible lettings will enable redevelopment of the centre with more ease. The property is currently under offer for sale.



## 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):** £301.8m

**Triple net initial yield (% p.a.):** 6.70%

**Reversionary Yield:** 7.86%

**Reinvestment:** Yes, quarterly

**Number of investors:** 52

**Number of AEW employee investors:** 3

**Number of properties:** 64

**Number of properties under offer:** 2

**Gearing (% of NAV):** 0.00%

**Total expense ratio:** 1.12%

**Capital Cash holdings (% of NAV):** 3.6%

### Single price

NAV price – £1.3208

Single price – £1.4106

For historical pricing please see [www.aewuk.co.uk](http://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

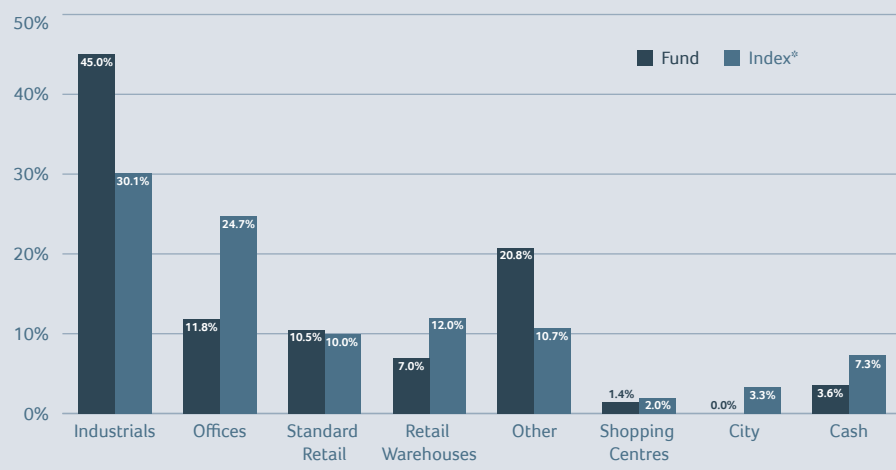
The Authorised Corporate Director (ACD) is entitled to a performance fee of 0.25% of the Net Asset Value p.a., if the AEW UK Core Property Fund is ranked in the top ten funds of the All Balanced Property Funds Index – MSCI/AREF UK Quarterly Property Fund Index over a three year rolling period and if the return is positive.

## Key contact



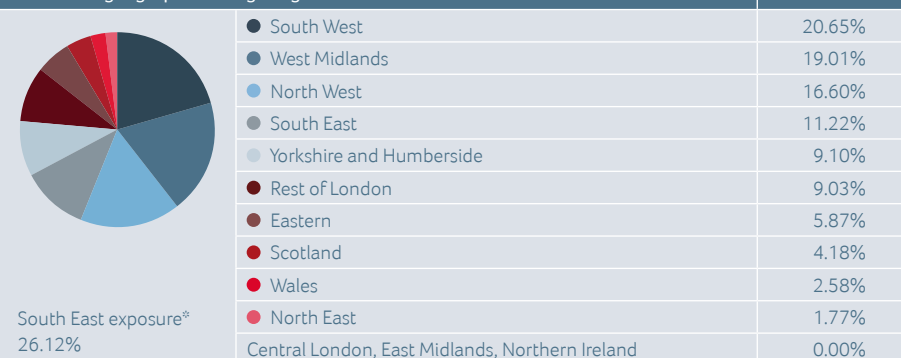
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## MSCI/AREF sector weightings



\* Source: MSCI/AREF UK Quarterly Property Fund Index – to 31 December 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 – MSCI/AREF UK PFI	AEW UK Core Property Fund	PPFI
Average weighted unexpired lease term to break	4.5 years	7.1 years
Average weighted unexpired lease term to expiry	6.0 years	8.6 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 31 December 2019.

Risk and volatility statistics	Annualised quarterly data	
	Q4, 2019	Q3, 2019
Absolute standard deviation	3.40%	3.33%
Tracking error	1.75%	1.75%
Information ratio	2.56	2.62
Beta	0.99	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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