

# AEW UK Core Property Fund

## INVESTMENT POLICY AND OBJECTIVES

The AEW UK Core Property Fund is a core balanced fund targeting value investment opportunities. It comprises a property portfolio diversified geographically in the UK and across all property sectors. Its investment objective is to provide a return from income and capital appreciation over the long term, and to out-perform its benchmark (the MSCI/AREF UK Quarterly Property Fund Index) over three-year rolling periods.

## INVESTOR CONSTITUENCY

The AEW UK Core Property Fund will look for and capitalize on market inefficiencies with reference to the investment risk profile set by its benchmark. The investment process is very stock focused and draws upon our strong active asset management capabilities. As a value investor, the AEW UK Core Property Fund will look to buy attractively priced and/or good quality real estate at the margins of prime locations aiming to provide good risk adjusted returns over the long term.

## INVESTOR CONSTITUENCY

The Fund is open to investment by pension funds, charities, insurance companies and other approved capital gain

### Fund details

Type of fund	Property Authorised Investment Fund
Residence	UK
Launch date	March 2012
Open/closed-ended	Open-ended
Year-end	31 December
NAV (GBPm)	280.6

Source: AEW

### Management/professional advisors

Trust Manager	AEW UK
Property investment manager	AEW UK
Portfolio Manager	Richard Tanner
Trustee	BNY Mellon Trust & Depositary
Auditors	KPMG

Source: AEW

### Investment rates of return, %

		MSCI/AREF UK Quarterly Property Fund Index*		
		Other balanced funds	All balanced funds	All funds
3 months	4.7	2.2	2.2	1.8
Year-to-date	4.7	2.2	2.2	1.8
12 months	2.8	2.5	2.5	0.7
3 years+	3.8	2.7	2.4	1.1
5 years+	6.4	4.6	4.1	3.2

10 years+	-	6.8	6.4	5.9
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Note: \* Weighted average returns + Annualized

Source: MSCI/AREF UK Quarterly Property Fund Index

### Property investment restrictions

Maximum development exposure	10%
Maximum speculative development exposure	10%
Maximum lot-size holding as a standing investment	15%
Maximum lot-size holding permitted at purchase	15%
Maximum exposure to limited partnerships	*
Maximum exposure to joint ventures	*
Maximum exposure to closed and open-ended property unit trusts	*

Note: \*None specified

Source: AEW

### Portfolio distribution %

	AEW UK CORE PROPERTY FUND*	MSCI/AREF UK Quarterly Property Fund Index**		
		Other balanced funds	All balanced funds	All funds
Standard retail – South East	3.3	5.98	5.19	4.86
Standard retail – Rest of UK	10.2	2.11	2.41	3.27
Shopping centres	1.3	0.67	1.15	3.54
Retail warehouses	5.5	10.91	10.51	8.97
<b>All UK retail</b>	<b>20.4</b>	<b>19.67</b>	<b>19.26</b>	<b>20.64</b>
City offices	0.0	3.93	3.61	3.37
West End offices	0.0	7.61	8.46	7.61
Rest of South East offices	6.1	10.80	10.24	7.35
Rest of UK offices	0.3	5.97	5.62	5.14
<b>All UK offices</b>	<b>6.4</b>	<b>28.31</b>	<b>27.92</b>	<b>23.47</b>
South East industrial	6.6	21.72	22.69	18.53
Rest of UK industrial	42.6	12.00	11.77	9.49
<b>All UK industrial</b>	<b>49.2</b>	<b>33.72</b>	<b>34.46</b>	<b>28.02</b>
Other UK properties	19.9	11.32	10.69	21.93
Cash	4.1	6.97	7.67	5.94
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Sources: \*AEW \*\* MSCI/AREF UK Quarterly Property Fund Index

### Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	61	266.9	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0.0	0.0
<b>Total</b>	<b>61</b>	<b>266.9</b>	<b>100.0</b>

Source: AEW

### Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
KAYLEY INDUSTRIAL ESTATE	ASHTON-UNDER-LYNE	Industrial	15-20	5-10%
DHL STANTON	BURY ST EDMUNDS	Industrial	15-20	5-10%
HENGROVE LEISURE PARK	BRISTOL	Leisure	10-15	0-5%
SPECTRUM	SWINDON	Industrial	10-15	0-5%
56-64 BROADMEAD & SOHO STUDIOS	BRISTOL	Retail Other	10-15	0-5%
WAREHOUSE	CREWE	Industrial	10-15	0-5%
LONDON EAST LEISURE PARK	DAGENHAM	Leisure Park (whole or part)	10-15	0-5%
PRYZM	KINGSTON UPON THAMES			
OAK FURNITURE LAND	SWINDON	Industrial	5-10	0-5%
GRAZEBROOK INDUSTRIAL	DUDLEY	Industrial	5-10	0-5%
<b>10 largest investments as % of portfolio</b>			<b>119.6</b>	<b>44.8</b>

Source: AEW

### Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	25	37.3	14.0
2.5 - 5	21	78.5	29.4
5-10	8	54.2	20.3
10-25	7	97.0	36.3
25 - 50	-	-	-
50 - 100	-	-	-
100-150	-	-	-
Over 150	-	-	-
<b>Total</b>	<b>61</b>	<b>266.9</b>	<b>100.0</b>
Average lot size		4.4	

Source: AEW

Property Yield		Voids as % of ERV	
Net initial yield	6.05%	Investments	15.08%
Nominal equivalent yield	7.94%	Developments	0.00%
True equivalent yield	8.32%	Total	15.08%
Net reversionary yield	8.32%		

Source: Knight Frank

### Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	17.8	17.0
Retail warehousing	5.8	6.7
Shopping centres	1.4	2.3
Central London offices	0.0	0.0
Other offices	8.5	7.8
Industrial	47.6	48.8

Other	17.7	17.4
<b>Overall</b>	<b>98.7</b>	<b>100.0</b>

Source: AEW

#### Over Renting and Reversionary Potential, % Rent Passing

Sector	Rent Passing, GBP Millions	Rent Free , % Rent Passing	Development vacancy, % Rent Passing	Investment vacancy, % Rent Passing	Over rented,% Rent Passing	Reversionary potential,% Rent Passing	Reversionary potential Net of Over renting,% Rent Passing	Market Value,% Rent Passing
Standard retail	3.6	0.0	0.0	7.2	-19.5	39.0	19.5	126.7
Retail warehouse	1.2	0.0	0.0	22.5	-6.7	36.5	29.8	152.3
Shopping centre	0.3	11.4	0.0	43.5	-15.3	79.5	64.2	219.1
Central London	0.0	-	-	-	-	-	-	-
Other offices	1.7	0.0	0.0	19.4	-2.0	4.8	2.8	122.2
Industrial	9.6	0.1	0.0	21.0	-1.4	16.2	14.8	135.8
Other	3.6	2.4	0.0	29.2	-18.8	17.2	-1.6	130.0
<b>Overall</b>	<b>20.2</b>	<b>0.6</b>	<b>0.0</b>	<b>20.0</b>	<b>-8.5</b>	<b>21.6</b>	<b>13.1</b>	<b>132.4</b>

\*Comprising the ERV of developments in progress or contracted which have not been pre-let

Source: AEW

#### Listed Investments

	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

#### The unexpired term of leases

Years	% of rent passing
20 years or greater	1.0
15 years or greater, but less than 20	5.4
10 years or greater, but less than 15	8.9
5 years or greater, but less than 10	11.8
Less than 5 years	72.9

Source: AEW

#### Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source: AEW

## Debt analysis

Fixed rate borrowings			Variable rate borrowings		
Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)	Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)+
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Source: AEW

## Development exposure\*

	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	-	-	-	-
% of all directly held properties	-	-	-	-

\* Includes joint ventures in which the Fund has an interest of 50% or more

Source: AEW

## Valuations/performance monitors/affiliations

Frequency of valuation	Monthly
Valuers	Knight Frank
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Full member

Source: AEW

## Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	10%
Cash holdings (maximum)	10%
Cash holdings (minimum)	*

Source: AEW

Note: Long term gearing not permitted

## The contribution of major tenants to rental income

Tenant	%
DHL SUPPLY CHAINS LTD	9.1
BESTWAY LTD	5.8
COOPER TIRE & RUBBER COMPANY EUROPE LTD	5.0
THE DELTIC GROUP LTD	4.8
WHITECROFT LIGHTING LTD	3.1
CINE-UK LTD	3.0
NEW LOOK RETAILERS LTD	2.8

GEORGE WILSON INDUSTRIES LTD	2.6
DAVID LLOYD LEISURE LIMITED	2.5
NATIONAL VETERINARY SERVICES LTD	2.2
Three largest tenants' contribution to rental income	19.9
Five largest tenants' contribution to rental income	27.9
Ten largest tenants' contribution to rental income	41.1

Source: AEW

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	266.9	0.0	0.0	0.0	266.9
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	11.3	0.0	0.0	0.0	11.3
Other net assets/liabilities	2.3	0.0	0.0	0.0	2.3
<b>Total net assets</b>	<b>280.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>280.6</b>
Gearing (%)					
Net debt (cash)/properties	-4.2	-	-	-	-4.2
Net debt (cash)/equity	-4.0	-	-	-	-4.0

Source: AEW

Quarterly data per unit						
As at	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Bid (GBP)	-	-	-	-	-	-
Offer (GBP)	1.411	1.161	1.154	1.169	1.279	1.326
Mid (GBP)	-	-	-	-	-	-
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	1.321	1.263	1.200	1.177	1.197	1.242
Quarterly distribution (GBP)	0.0185	0.0129	0.0107	0.0184	0.0135	0.0114
Yield	5.4%	5.0%	4.8%	5.1%	4.6%	4.4%

Source: AEW

## Unit pricing

The Fund's NAV and the single (bid/offer) price of its units are calculated on the date of the monthly revaluation of the portfolio as at the last day of each month.

## Distributions

Distributions are declared on a quarterly basis and paid within two months of the end of the quarter during which they were earned.

## Minimum investment/disinvestment

A minimum initial investment of £100,000, although the Manager may approve smaller holdings.

## Creation, transfer and realisation of units

Units may be issued by the Depositary on the direction of the Manager on giving notice at least 14 business days ahead of the next Dealing Day for Subscriptions which is the first business day in each calendar month.

## Redemptions

Units may be redeemed on written notice to be received by the Manager at least one month prior to the next

## Taxation

### Capital Gains Tax

The Fund is not subject to capital gains tax.

### Income Tax

The Fund qualifies as a PAIF for tax purposes. Accordingly, the income generated by their Property Investment

## Charges

### Annual Fee

The Fund Manager is entitled to an annual fee (payable quarterly) equivalent to 0.70% pa of the Net Asset Value

### Initial charge

No initial charge is levied by the Trust Manager on investors acquiring units in the Fund

### Performance Fee

The Property Investment Manager may earn a performance fee of 0.25% p.a. (plus VAT) of NAV if the Fund is

## Leverage

The Fund may only borrow up to 10% of the NAV and in the form of a revolving credit facility. Leverage may take

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	32	8.3
1% or greater but less than 2%	9	14.5
2% or greater but less than 4%	4	12.1
4% or greater but less than 8%	5	25.6
Greater than 8.0%	2	39.6
<b>Total</b>	<b>52</b>	<b>100.0</b>
Major investors		
Largest holder	1	20.3
Three largest holders	3	47.2
Five largest holders	5	57.0
Ten largest holders	10	75.1
Internal/external investors		
Internal	3	0.4
External	49	99.6

Source: AEW

Liquidity						
Period	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021
<b>Issues and redemptions</b>						
Units in issue as at start of period	193,021,067	209,530,510	212,008,201	218,658,263	228,477,828	229,972,285

Units issued during period	19012340	4,218,577	9,947,189	15,302,013	3,864,846	1,097,927
Units redeemed during period	-2502897	-1740885.583	-3,297,128	-5,482,448	-2,370,388	-5,054,789
Units in issue at end of period	209,530,510	212,008,201	218,658,263	228,477,828	229,972,285	226,015,423
<b>Unit transfers</b>						
Matched bargains	50849766	15164063.44	2649301	1,338,285	1,832,529	0
Matched bargains %*	0.2427	0.071525834	0.012116171	0.59%	0.80%	0.00%

\* as % of units in issue at the end of the period

Source: AEW