

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 tax exempt investors.

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)	297.1

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
AEW UK Core Property Fund				
3 months	7.0	3.8	3.8	3.7
Year-to-date	12.0	6.1	6.0	5.6
12 months	14.7	8.5	8.5	6.9
3 years+	5.0	3.3	3.0	1.8
5 years+	7.5	5.1	4.9	3.9
10 years+	-	7.0	6.7	6.1

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	2.9	5.70	4.96	4.63
Standard retail – Rest of UK	9.5	2.02	2.32	3.24
Shopping centres	1.2	0.64	1.10	3.40
Retail warehouses	4.3	10.83	10.38	8.75
All UK retail	18.0	19.19	18.76	20.01
City offices	0.0	3.91	3.60	3.20
West End offices	0.0	7.66	8.47	7.51
Rest of South East offices	6.1	10.36	9.74	7.00
Rest of UK offices	0.3	5.75	5.45	5.04
All UK offices	6.3	27.68	27.25	22.74
South East industrial	6.5	22.82	23.84	19.55
Rest of UK industrial	43.0	12.53	12.55	10.32
All UK industrial	49.5	35.35	36.39	29.86
Other UK properties	25.5	11.01	10.61	21.91
Cash	0.7	6.77	6.99	5.47
Overall	100.0	100.0	100.0	100.0

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

Property ownership structure			
	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	62	310.6	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0.0	0.0
Total	62	310.6	100.0

Source: AEW

Largest direct investments by lot size & percentage of total portfolio				
Property	Location	Sector	Valuation (GBPm)	% of total portfolio
FIVEWAYS LEISURE PARK,BIRMINGHAM,FIVEWAYS LEISURE CENTRE	Birmingham	Leisure Park (whole or part)	25-30	5-10%
KAYLEY INDUSTRIAL ESTATE	ASHTON- UNDER-LYNE	Industrial	20-25	5-10%
DHL STANTON	BURY ST EDMUNDS	Industrial	15-20	5-10%
SPECTRUM	SWINDON	Industrial	10-15	0-5%
HENGROVE LEISURE PARK	BRISTOL	Leisure	10-15	0-5%
WAREHOUSE	CREWE	Industrial	10-15	0-5%
56-64 BROADMEAD & SOHO STUDIOS	BRISTOL	Retail Other	10-15	0-5%
LONDON EAST LEISURE PARK	DAGENHAM	Leisure Park (whole or part)	10-15	0-5%
INTEC BUSINESS PARK	BASINGSTOKE	Office	5-10	0-5%
GRAZEBROOK INDUSTRIAL	DUDLEY	Industrial	5-10	0-5%
10 largest investments as % of portfolio			146.4	47.1

Source: AEW

Direct portfolio structure by lot-size bands			
Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0-2.5	24	35.0	11.3
2.5 - 5	18	67.0	21.6
5-10	12	80.1	25.8
10-25	7	103.5	33.3
25 - 50	0	0.0	0.0
50 - 100	-	-	-
100-150	-	-	-
Over 150	-	-	-
Total	62	310.6	100.0
Average lot size		5.0	

Source: AEW

Property Yield	
Net initial yield	5.75%
Nominal equivalent yield	7.67%
True equivalent yield	8.03%
Net reversionary yield	8.11%

Source: Knight Frank

Voids as % of ERV	
Investments	15.92%
Developments	0.00%
Total	15.92%

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	16.1	15.0
Retail warehousing	5.1	5.4
Shopping centres	1.3	2.1
Central London offices	0.0	0.0
Other offices	7.0	7.2
Industrial	44.1	44.8
Other	26.3	25.5
Overall	100.0	100.0

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	1.4	0.0	7.0	-19.0	34.2	15.2	123.6
Retail warehousing	1.1	0.0	0.0	42.1	-10.2	7.2	-3.0	139.1
Shopping centres	0.3	0.0	0.0	36.4	-14.9	92.0	77.1	213.5
Central London offices	0.0	-	-	-	-	-	-	-
Other offices	1.6	0.0	0.0	30.4	-2.3	8.2	5.8	136.2
Industrial	9.7	2.5	0.0	23.8	-1.4	10.0	8.5	134.9
Other	5.8	1.5	0.0	18.0	-9.5	18.9	9.3	128.8
Overall	22.1	1.7	0.0	21.1	-7.1	17.0	9.9	132.8

*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	0.9
15 years or greater, but less than 20	9.3
10 years or greater, but less than 15	7.5
5 years or greater, but less than 10	10.2
Less than 5 years	72.1

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	8.2
BESTWAY LTD	5.2
THE DELTIC GROUP LTD	4.5
CINEWORLD	4.5
RUBBER COMPANY EUROPE LTD	4.3
WHITECROFT LIGHTING LTD	2.8
CINE-UK LTD	2.7
NEW LOOK RETAILERS LTD	2.5
GEORGE WILSON INDUSTRIES LTD	2.4
DAVID LLOYD LEISURE LTD	2.2
Three largest tenants' contribution to rental income	17.9
Five largest tenants' contribution to rental income	26.7
Ten largest tenants' contribution to rental income	39.3

Source: AEW

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	310.6	0.0	0.0	0.0	310.6
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	-15.0	0.0	0.0	0.0	-15.0
Cash	2.2	0.0	0.0	0.0	2.2
Other net assets/liabilities	-0.8	0.0	0.0	0.0	-0.8
Total net assets	297.1	0.0	0.0	0.0	297.1
Gearing (%)					
Net debt (cash)/properties	4.1	-	-	-	4.1
Net debt (cash)/equity	4.3	-	-	0.0	4.3

Source: AEW

Quarterly data per unit						
As at	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21
Bid (GBP)	-	-	-	-	-	-
Offer (GBP)	1.161	1.154	1.169	1.279	1.326	1.401
Mid (GBP)	-	-	-	-	-	-
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	1.263	1.200	1.177	1.197	1.242	1.311
Quarterly distribution (GBP)	0.0129	0.0107	0.0184	0.0135	0.0114	0.0175
Yield	5.0%	4.8%	5.1%	4.6%	4.4%	4.6%

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 Dealing Day for Redemptions which is the first business day in each calendar month. At its discretion and in consultation with the Governance Committee, the Manager may defer redemptions for up to six months.

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 Business will be exempt from tax.

Charges

Annual Fee

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

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 ranked above the weighted average performance the top ten funds within the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index over three year rolling periods (providing its return over the period is positive).

Leverage

The Fund may only borrow up to 10% of the NAV and in the form of a revolving credit facility. Leverage may take the form of temporary cash borrowings, financial derivative instruments and reinvestment of cash allocated in the context of securities lending.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	32	8.2
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	25.5
Greater than 8.0%	2	39.7
Total	52	100.0
Major investors		
Largest holder	1	20.4
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
Issues and redemptions						
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	1,711,240
Units redeemed during period	-2502897	-1740885.583	-3,297,128	-5,482,448	-2,370,388	-5,153,828
Units in issue at end of period	209,530,510	212,008,201	218,658,263	228,477,828	229,972,285	226,529,697
Unit transfers						
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