

AEW UK Real Return Fund

INVESTMENT POLICY AND OBJECTIVES

The AEW UK Real Return Fund ("the Fund") strategy is to align the real benefits of property with the needs of long-term savers. It aims to deliver better risk adjusted liability focused returns, with inflation-linked cash flow and income growth central to strategy. The Fund has a total real return performance target and will access a wider UK investible universe of traditional and alternative sectors such as healthcare, leisure, car parks, social infrastructure and student housing, aiming to generate greater diversification and lower volatility.

INVESTOR CONSTITUENCY

The Fund is open to investment by UK and Overseas Corporate Pension Funds, Local Authorities, Charities, SIPPS, UK and Overseas Corporates and Wealth Managers.

| Fund details | |
|-----------------------------|-------------------------------------|
| Type of fund | Property Authorised Investment Fund |
| Residence | UK |
| Launch date | Q1 2016 |
| Open/closed-ended | Open-ended |
| Earliest date of winding up | N/A |
| Year-end | 31 December |
| NAV (GBPm) | 208.6 |

Source: AEW

| Management/professional advisors | |
|----------------------------------|-------------------------------|
| Manager | AEW UK |
| Investment Advisor | AEW UK |
| Fund Manager | Ian Mason |
| Depository | BNY Mellon Trust & Depository |
| Auditors | BDO |

Source: AEW

| Investment rates of return, % | | MSCI/AREF UK Quarterly Property Fund Index* | | |
|-------------------------------|-------------------------|---|-------------------------------|-----------|
| | AEW UK Real Return Fund | Long income Open-Ended Funds | All balanced open-ended funds | All funds |
| 3 months | 3.5 | 2.1 | 3.9 | 3.6 |
| Year-to-date | 7.1 | 4.8 | 9.8 | 8.6 |
| 12 months | 14.5 | 11.8 | 23.3 | 20.7 |
| 3 years+ | 6.5 | 7.2 | 9.2 | 7.4 |
| 5 years+ | 7.3 | 7.3 | 8.1 | 6.7 |
| 10 years+ | - | 7.8 | 8.5 | 7.7 |

Note: * Weighted average returns (Annualized)

Source: MSCI/AREF UK Quarterly Property Fund Index

** Target 4% pa total real return

| Property investment restrictions | |
|--|---------------------------|
| Maximum development exposure | 20% (pre let development) |
| Maximum speculative development exposure | Not Permitted |
| Maximum lot-size holding as a standing investment | n/a |
| Maximum lot-size holding permitted at purchase | 10% |
| Maximum exposure to limited partnerships | * |
| Maximum exposure to joint ventures | * |
| Maximum exposure to closed and open-ended property unit trusts | Not Permitted |

Note: *None specified

Source: AEW

| Portfolio distribution % | | MSCI/AREF UK Quarterly Property Fund Index** | | |
|---------------------------------|--------------------------|--|-------------------------------|-----------|
| | AEW UK REAL RETURN FUND* | Long income Open-Ended Funds | All balanced open-ended funds | All funds |
| Standard retail – South East*** | 5.6 | 7.74 | 4.30 | 4.46 |

| | | | | |
|---------------------------------|--------------|---------------|---------------|---------------|
| Standard retail – Rest of UK*** | 9.5 | 7.09 | 1.64 | 2.81 |
| Shopping centres | 0.0 | 0.43 | 0.81 | 2.22 |
| Retail warehouses | 0.0 | 1.28 | 10.84 | 7.29 |
| All UK retail | 15.1 | 16.54 | 17.58 | 16.78 |
| City offices | 0.0 | 2.83 | 3.42 | 3.14 |
| West End offices | 0.0 | 4.50 | 7.14 | 5.19 |
| Rest of South East offices | 0.0 | 5.80 | 8.59 | 6.58 |
| Rest of UK offices | 1.3 | 10.09 | 4.86 | 5.40 |
| All UK offices | 1.3 | 23.23 | 24.01 | 20.31 |
| South East industrial | 4.7 | 4.67 | 28.36 | 23.55 |
| Rest of UK industrial | 11.8 | 9.77 | 14.62 | 12.58 |
| All UK industrial | 16.5 | 14.44 | 42.98 | 36.13 |
| Other UK properties | 60.4 | 43.07 | 10.06 | 22.49 |
| Cash | 6.7 | 2.72 | 5.38 | 4.29 |
| Overall | 100.0 | 100.00 | 100.00 | 100.00 |

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

*** MSCI Standard Retail Definition includes public houses, car showrooms and other alternative sub sectors.

Property ownership structure

| | Number of assets | Valuation (GBPm) | % of total portfolio |
|-----------------------------|------------------|------------------|----------------------|
| Direct holdings | 63 | 196.0 | 100.0 |
| Joint and indirect holdings | 0 | 0.0 | 0.0 |
| Listed investments | 0 | 0.0 | 0.0 |
| Total | 63 | 196.0 | 100.0 |

Source: AEW

Largest direct investments by lot size & percentage of total portfolio

| Property | Location | Sector | Valuation (GBPm) | % of total portfolio |
|---|---------------|------------------------------|------------------|----------------------|
| THE RESIDENCES | MIDDLESBROUGH | Residential | 15-20 | 5-10% |
| SPRINGHILL CARE CENTRE | ACCRINGTON | Healthcare | 10-15 | 5-10% |
| BROOKS LANE MIDDLEWICH, MIDDLEWICH, BROOKS LANE | CHESHIRE | Industrial | 5-10 | 0-5% |
| LARKLAND HOUSE CARE CENTRE | ASCOT | Healthcare | 5-10 | 0-5% |
| ASHLANDS MEWS AND ST GEORGE'S | LEICESTER | Healthcare | 5-10 | 0-5% |
| CROSS POINT | COVENTRY | Leisure Park (whole or part) | 5-10 | 0-5% |
| TRAVELODGE HOTEL | WEST BROMWICH | Hotel | 5-10 | 0-5% |
| CLIFTON BOULEVARD | NOTTINGHAM | Leisure Park (whole or part) | 5-10 | 0-5% |
| MARSHALL 41 | MILTON KEYNES | Industrial | 5-10 | 0-5% |
| HOLMES COURT AND HOLMES HOUSE | WIGSTON | Healthcare | 0-5 | 0-5% |
| 10 largest investments as % of portfolio | | | 79.3 | 40.5 |

Source: AEW

Direct portfolio structure by lot-size bands

| Value band (GBPm) | Number of assets | Valuation (GBPm) | % of total portfolio |
|-------------------|------------------|------------------|----------------------|
| 0 -2.5 | 31 | 40.2 | 20.5 |
| 2.5 - 5 | 24 | 86.4 | 44.1 |
| 5-10 | 6 | 40.7 | 20.7 |
| 10-25 | 2 | 28.7 | 14.6 |
| 25 - 50 | - | - | - |
| 50 - 100 | - | - | - |
| 100-150 | - | - | - |
| Over 150 | - | - | - |
| Total | 63 | 196.0 | 100.0 |
| Average lot size | | 3.1 | |

Source: AEW

Property Yield

| | |
|--------------------------|-------|
| Net initial yield | 5.80% |
| Nominal equivalent yield | 6.47% |

Voids as % of ERV

| | |
|--------------|-------|
| Investments | 0.74% |
| Developments | 0.00% |

| | |
|------------------------|-------|
| True equivalent yield | 6.47% |
| Net reversionary yield | 7.10% |

Source: Knight Frank

| | |
|-------|-------|
| Total | 0.74% |
|-------|-------|

Source: Knight Frank

Rental income & ERV by type of property

| | Rental income % | Estimated rental value % |
|------------------------|-----------------|--------------------------|
| Standard retail | 16.9 | 17.9 |
| Retail warehousing | 0.0 | 0.0 |
| Shopping centres | 0.0 | 0.0 |
| Central London offices | 0.0 | 0.0 |
| Other offices | 1.9 | 1.7 |
| Industrial | 16.0 | 17.3 |
| Other | 65.2 | 63.1 |
| 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 | 2.2 | 0.0 | 0.0 | 3.3 | -5.5 | 9.1 | 3.7 | 106.6 |
| Retail warehousing | 0.0 | - | - | - | - | - | - | - |
| Shopping centres | 0.0 | - | - | - | - | - | - | - |
| Central London offices | 0.0 | - | - | - | 0.0 | - | - | - |
| Other offices | 0.3 | 0.0 | 0.0 | 0.0 | -15.2 | 0.0 | -15.2 | 86.8 |
| Industrial | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 | 9.1 | 9.1 | 109.1 |
| Other | 8.5 | 0.0 | 0.0 | 0.3 | -7.2 | 4.2 | -3.0 | 97.5 |
| Overall | 13.0 | 0.0 | 0.0 | 0.7 | -5.8 | 5.7 | 0.0 | 100.7 |

Source: AEW

* 90% of income linked to inflation or fixed uplifts

Listed Investments

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

The unexpired term of leases*

| Years | % of rent passing |
|---------------------------------------|-------------------|
| 20 years or greater | 46.4 |
| 15 years or greater, but less than 20 | 10.1 |
| 10 years or greater, but less than 15 | 17.1 |
| 5 years or greater, but less than 10 | 12.6 |
| Less than 5 years | 13.9 |

Source: AEW

* WAULT to break 16.7 years

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

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 | |
| For investment purposes | * |
| Cash holdings (maximum) | 10%** |

Source: AEW

*Long term gearing not permitted

**Due to unit creations. Can be higher due to strategy

The contribution of major tenants to rental income

| Tenant | % |
|--|------|
| PRIME LIFE LIMITED | 14.1 |
| Inclusion Housing CIC | 8.7 |
| TENPIN LTD | 6.3 |
| THREE LITTLE BIRDS LPS LIMITED | 6.0 |
| SOUTH TEES NHS TRUST | 5.8 |
| GIANT BOOKER LIMITED | 4.6 |
| CARE UK COMMUNITY PARTNERSHIPS LTD | 4.0 |
| TRAVELODGE HOTELS LTD | 3.0 |
| STYROPACK (UK) LIMITED | 2.7 |
| BARCLAY & MATHIESON LTD | 2.3 |
| Three largest tenants' contribution to rental income | 29.1 |
| Five largest tenants' contribution to rental income | 40.9 |
| Ten largest tenants' contribution to rental income | 57.5 |

Source: AEW

Balance sheet/gearing

| | Direct holdings | Joint holdings | Indirect investments | Listed investments | Total |
|-------------------------|-----------------|----------------|----------------------|--------------------|-------|
| Balance sheet (GBPm) | | | | | |
| Properties at valuation | 196.0 | 0.0 | 0.0 | 0.0 | 196.0 |
| Listed investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | |
|------------------------------|--------------|------------|------------|------------|--------------|
| Debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash | 14.1 | 0.0 | 0.0 | 0.0 | 14.1 |
| Other net assets/liabilities | -1.4 | 0.0 | 0.0 | 0.0 | -1.4 |
| Total net assets | 208.6 | 0.0 | 0.0 | 0.0 | 208.6 |
| Gearing (%) | | | | | |
| Net debt (cash)/properties | -7.2 | - | - | - | -7.2 |
| Net debt (cash)/equity | -6.7 | - | - | - | -6.7 |

Source: AEW

| Quarterly data per unit | | | | | | |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| As at | 31-Mar-21 | 30-Jun-21 | 30-Sep-21 | 31-Dec-21 | 31-Mar-22 | 30-Jun-22 |
| Bid (GBP) | 0.965 | 0.976 | 0.995 | 1.012 | 1.033 | 1.059 |
| Offer (GBP) | 1.046 | 1.058 | 1.079 | 1.097 | 1.120 | 1.148 |
| Bid/offer spread | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% |
| Net asset value (GBP) | 0.980 | 0.991 | 1.010 | 1.027 | 1.049 | 1.075 |
| Quarterly distribution (GBP) | 0.0112 | 0.0111 | 0.0168 | 0.0146 | 0.0139 | 0.0107 |
| Yield | 4.4% | 4.8% | 5.1% | 5.2% | 5.4% | 5.2% |

Note: *The Fund's distribution yield is calculated once it has made four quarterly distributions

**Based on MSCI methodology as a Percentage of Offer Price. Bid / offer spread as a Percentage of NAV price is 8.3%

Source: AEW

Unit pricing

The Fund's NAV and the 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 £1,000,000, although the Manager may approve smaller holdings.

Creation, transfer and realisation of units

Units may be issued by the Depository 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 charges: The Fund Manager is entitled to an annual fee (payable monthly) equivalent to 0.75% pa of the Net Asset Value of the Fund.

| Unit holder analysis | | |
|--------------------------------|-----------------------|--------------|
| | Number of unitholders | Total % held |
| Less than 1% of units in issue | 6 | 0.6 |
| 1% or greater but less than 2% | 1 | 1.7 |
| 2% or greater but less than 4% | 2 | 6.8 |
| 4% or greater but less than 8% | 4 | 23.8 |
| Greater than 8.0% | 5 | 67.1 |
| Total | 18 | 100.0 |
| Major investors | | |
| Largest holder | 1 | 23.9 |
| Three largest holders | 3 | 47.5 |

| | | |
|-----------------------------|----|------|
| Five largest holders | 5 | 67.1 |
| Ten largest holders | 10 | 94.7 |
| Internal/external investors | | |
| Internal | 2 | 0.1 |
| External | 16 | 99.9 |

Source: AEW

| Liquidity | | | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Period | Year to Dec 2017 | Year to Dec 2018 | Year to Dec 2019 | Year to Dec 2020 | Year to Dec 2021 | Year to Dec 2022 |
| Issues and redemptions | | | | | | |
| Units in issue as at start of period | 55,537,227 | 82,112,727 | 127,943,693 | 142,573,871 | 143,062,128 | 182,339,081 |
| Units issued during period | 26,575,500 | 45,830,966 | 17,981,717 | 488,258 | 41,387,766 | 11,744,283 |
| Units redeemed during period | - | - | -335,153 | 0 | -211,081,771 | 0 |
| Units in issue at end of period | 82,112,727 | 127,943,693 | 142,573,871 | 143,062,128 | 182,339,081 | 194,083,364 |
| Unit transfers | | | | | | |
| Matched bargains | - | - | - | - | 7,270,630 | 0 |
| Matched bargains %* | - | - | - | - | 4% | 0% |

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

Source: AEW