

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-Dec
NAV (GBPm)	301.8

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*		
	AEW UK Core Property Fund	Other balanced funds	All balanced funds	All funds
3 months	0.6	0.3	0.3	0.0
Year-to-date	5.5	1.8	1.6	0.7
12 months	5.5	1.8	1.6	0.7
3 years+	10.0	6.5	6.0	5.3
5 years+	9.9	7.2	6.6	6.0
10 years+	-	8.1	7.7	7.7

Note: * Weighted average returns + Annualized

Source: MSCI/AREF UK Quarterly Property Fund Index (Sponsored by Property Match)

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	1.7	7.38	6.79	5.60
Standard retail – Rest of UK	8.8	2.97	3.18	3.56
Shopping centres	1.4	1.28	1.95	6.56
Retail warehouses	7.0	12.33	12.03	10.77
All UK retail	18.8	23.96	23.95	26.49
City offices	0.0	3.62	3.29	2.88
West End offices	0.0	7.57	8.03	6.75
Rest of South East offices	6.6	11.62	10.84	7.60
Rest of UK offices	5.2	6.26	5.85	4.97
All UK offices	11.8	29.08	28.03	22.20
South East industrial	0.6	19.57	19.86	15.93
Rest of UK industrial	44.4	10.50	10.23	8.26
All UK industrial	45.0	30.07	30.09	24.19
Other UK properties	20.8	11.74	10.68	21.44
Cash	3.6	5.15	7.25	5.69
Overall	100.0	100.0	100.0	100.0

Sources: *AEW ** MSCI/AREF UK Quarterly Property Fund Index (Sponsored by Property Match)

Property ownership structure			
	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	64	294.5	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0.0	0.0
Total	64	294.5	100.0

Source: AEW

Largest direct investments by lot size & percentage of total portfolio				
Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Wakefield 41	Wakefield	Industrial	15-20	5-10%
Kayley Industrial Estate	Ashton-Under-Lyne	Industrial	15-20	5-10%
Spectrum	Swindon	Industrial	10-15	0-5%
Hengrove Leisure Park	Bristol	Leisure	10-15	0-5%
Przym	Kingston Upon Thames	Leisure	10-15	0-5%
London East Leisure Park	Dagenham	Leisure	10-15	0-5%
Warehouse	Crewe	Industrial	10-15	0-5%
36-42 Old Christchurch Road	Bournemouth	Retail Other	5-10	0-5%
730 Aztec West	Bristol	Office	5-10	0-5%
Lincolns' Inn Office, Anglo Office Park	High Wycombe	Office	5-10	0-5%
10 largest investments as % of portfolio			125.4	42.6

Source: AEW

Direct portfolio structure by lot-size bands			
Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	24	39.4	13.4
2.5 - 5	23	87.2	29.6
5-10	10	69.1	23.4
10-25	7	98.9	33.6
25 - 50	-	-	-
50 - 100	-	-	-
100-150	-	-	-
Over 150	-	-	-
Total	64	294.5	100.0
Average lot size		4.6	

Source: AEW

Property Yield		Voids as % of ERV	
Net initial yield	6.70%	Investments	12.30%
Nominal equivalent yield	7.75%	Developments	0.00%
True equivalent yield	8.14%	Total	12.30%
Net reversionary yield	7.86%		

Source: Knight Frank

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	15.8	12.1
Retail warehousing	7.8	7.9
Shopping centres	2.0	2.3
Central London offices	0.0	0.0
Other offices	12.2	13.0
Industrial	41.9	46.2
Other	20.3	18.5
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	3.7	0.0	0.0	6.0	-22.7	1.5	-21.2	84.8
Retail warehousing	1.8	0.0	0.0	18.0	-8.7	3.6	-5.1	112.9
Shopping centres	0.5	0.0	0.0	14.5	-15.4	33.0	17.7	132.2
Central London offices	-	-	-	-	-	-	-	-
Other offices	2.9	0.8	0.0	12.8	-2.1	7.2	5.0	118.6
Industrial	9.8	6.1	0.0	14.2	-3.2	5.8	2.6	122.9
Other	4.8	1.9	0.0	17.3	-23.3	5.5	-17.7	101.5
Overall	23.4	3.1	0.0	13.6	-10.9	5.6	-5.3	111.4

*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	0.0
15 years or greater, but less than 20	4.6
10 years or greater, but less than 15	9.7
5 years or greater, but less than 10	12.4
Less than 5 years	73.3

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	%
Bestway Ltd	4.3
The Deltic Group Ltd	4.2
Cooper Tire & Rubber Company Europe Ltd	4.0
J E Beale Plc	3.9
Vue Entertainment Ltd	3.5
Whitecroft Lighting Ltd	2.6
Integrated Third Party Logistics Ltd	2.6
Cine-UK Ltd	2.5
New Look Retailers Ltd	2.4
George Wilson Industries Ltd	2.2
Three largest tenants' contribution to rental income	12.5
Five largest tenants' contribution to rental income	19.9
Ten largest tenants' contribution to rental income	32.2

Source: AEW

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	294.5	0.0	0.0	0.0	294.5
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	11.0	0.0	0.0	0.0	11.0
Other net assets/liabilities	-3.7	0.0	0.0	0.0	-3.7
Total net assets	301.8	0.0	0.0	0.0	301.8
Gearing (%)					
Net debt (cash)/properties	-3.7	-	-	-	-3.7
Net debt (cash)/equity	-3.6	-	-	-	-3.6

Source: AEW

Quarterly data per unit

As at	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
Bid (GBP)	-	-	-	-	-	-
Offer (GBP)	1.408	1.410	1.415	1.426	1.421	1.411
Mid (GBP)	-	-	-	-	-	-
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	1.318	1.320	1.325	1.335	1.331	1.321
Quarterly distribution (GBP)	0.0155	0.0158	0.0211	0.0162	0.0155	0.0185
Yield	5.4%	5.2%	5.5%	5.1%	5.2%	5.4%

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 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	33	9.2
1% or greater but less than 2%	7	10.9
2% or greater but less than 4%	4	11.9
4% or greater but less than 8%	6	30.0
Greater than 8.0%	2	38.1
Total	52	100.0
Major investors		
Largest holder	1	19.2
Three largest holders	3	45.5
Five largest holders	5	55.2
Ten largest holders	10	75.4
Internal/external investors		
Internal	3	0.4
External	49	99.6

Source: AEW

Liquidity					
Period	Year to Dec 2014	Year to Dec 2015	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018
Issues and redemptions					

Units in issue as at start of period	78,343,346	157,204,632	193,021,067	209,530,510	212,008,201	218,658,263
Units issued during period	78861286	35,988,327	19,012,340	4,218,577	9,947,189	15,302,013
Units redeemed during period	-	-171892	-2,502,897	-1,740,886	-3,297,128	-5,482,448
Units in issue at end of period	157,204,632	193,021,067	209,530,510	212,008,201	218,658,263	228,477,828
Unit transfers						
Matched bargains			50849766	15,164,063	2,649,301	1,338,285
Matched bargains %*	-	-	0.2427	7.15%	1.21%	0.59%

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

Source: AEW