

AEW UK Impact Fund

INVESTMENT POLICY AND OBJECTIVES

The AEW UK Impact 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 (PAIF)
Residence	UK
Launch date	Q1 2016
Open/closed-ended	Open-ended
Earliest date of winding up	n/a
Year-end	31 December
NAV (GBPm)	93.4

Source: AEW

Management/professional advisors

Manager	AEW UK
Investment Advisor	AEW UK
Fund Manager	Ed Long
Depository	BNY Mellon Trust & Depository
Auditors	BDO

Source: AEW

Fund level total return, %

	AEW UK Impact Fund	MSCI/AREF UK Quarterly Property Fund Index*		
		Long income Open-Ended Funds	All balanced open-ended funds	All funds
3 months	-2.6	0.8	1.1	1.4
Year-to-date	-3.1	0.8	1.7	1.7
12 months	-1.6	-1.5	0.1	0.0
3 years+	2.1	-2.8	0.6	0.0
5 years+	2.4	0.2	1.5	0.6
10 years+	-	3.8	4.8	4.0

Note: * Weighted average returns (Annualized)

Source: MSCI/AREF UK Quarterly Property Fund Index

** Target 4% pa total real return

Fund Restraints

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	n/a
Maximum exposure to joint ventures	n/a
Maximum exposure to closed and open-ended property unit trusts	Not Permitted

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

Portfolio distribution %

	AEW UK IMPACT FUND*	MSCI/AREF UK Quarterly Property Fund Index**		
		Long income Open-Ended Funds	All balanced open-ended funds	All funds
Standard retail – South East***	1.7	5.38	3.66	3.41
Standard retail – Rest of UK***	4.2	2.23	1.09	1.18
Supermarkets	0.0	4.29	1.11	1.72
Shopping centres	0.0	0.51	0.89	0.62
Retail warehouses	0.0	0.45	12.01	7.44
All UK retail	5.9	12.86	18.75	14.37
City offices	0.0	1.21	3.09	2.64
West End offices	0.0	4.44	6.58	4.77
Rest of South East offices	0.0	6.63	6.28	5.17
Rest of UK offices	0.0	8.61	4.03	4.45
All UK offices	0.0	20.89	19.97	17.03
South East Industrial	0.0	3.56	20.13	17.97
Rest of UK industrial	0.0	2.56	7.19	6.47
South East Distribution Warehouse	0.0	0.71	5.41	4.06
Rest of UK Distribution Warehouse	3.7	6.30	6.34	5.31
All UK industrial	3.7	13.13	39.07	33.81
Residential excl Student Accommodation	36.8	6.43	1.30	2.38
Student Accommodation	0.0	6.88	3.27	10.71
Hotel	2.6	16.78	3.22	6.11
Leisure	5.5	7.61	2.22	4.10
Healthcare	20.7	2.77	1.31	1.44
Other UK properties	15.8	8.96	3.16	4.06
Cash	9.0	3.70	7.72	6.00
Overall	100.0	100.0	100.0	100.0

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	32	85.9	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0.0	0.0
Total	32	85.9	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	10-15	10-15%
SPRINGHILL CARE CENTRE	ACCRINGTON	Healthcare	5-10	5-10%
ASHLANDS MEWS AND ST GEORGE'S	LEICESTER	Healthcare	5-10	5-10%
HOLMES COURT AND HOLMES HOUSE	WIGSTON	Healthcare	0-5	0-5%
MUSWELL HILL PRE SCHOOL,LONDON,TETHERDOWN HALL	London	Education	0-5	0-5%
BOOKER WHOLESALE,BARNESLEY,TWIBELL STREET	Barnsley	Industrial	0-5	0-5%
BEAUVALE DRIVE,ILKESTONE,BEAUVALE DRIVE	Ilkeston	Residential	0-5	0-5%
LAND ON WEST SIDE OF COPPICE SIDE,SWADLINCOTE,	Swadlincote	Residential	0-5	0-5%
THE POINT	BOREHAMWOOD	Leisure Park (whole or part)	0-5	0-5%
THE WEST FINCHLEY PRESCHOOL,LONDON,37 MOSS HALL GROVE	London	Education	0-5	0-5%
10 largest investments as % of portfolio			52.9	61.6

Source: AEW

Direct portfolio structure by lot-size bands			
Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 - 2.5	19	25.0	29.1
2.5 - 5	10	32.5	37.8
5 - 10	2	15.4	18.0
10-25	1	13.0	15.1
25 - 50	-	-	-
50 - 100	-	-	-
100-150	-	-	-
Over 150	-	-	-
Total	32	85.9	100.0
Average lot size		2.7	

Source: AEW

Property Yield		Voids as % of ERV	
Net initial yield	7.70%	Investments	6.25%
Nominal equivalent yield	8.80%	Developments	0.00%
True equivalent yield	9.30%	Total	6.25%
Net reversionary yield	10.20%		

Source: Knight Frank

Source: Knight Frank

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	7.2	7.5
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	0.0	0.0
Other offices	0.0	0.0
Industrial	4.4	5.2
Other	88.4	87.3
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	0.5	-	-	-21.8	-28.6	3.5	-25.1	96.6
Retail warehousing	-	-	-	-	-	-	-	-
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	-	-	-	-	-	-	-	-
Other offices	-	-	-	-	-	-	-	-
Industrial	0.3	-	-	-	-	10.5	-	110.5
Other	6.3	-	-	-4.8	-14.1	1.1	-13.0	91.8
Overall	7.2	-	-	-5.8	-14.5	1.7	-12.8	93.0

Source: AEW

* 91% of income linked to inflation or fixed uplifts

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

The unexpired term of leases % of rent passing		
Years	Including breaks	Excluding breaks

20 years or greater	43.1	42.5
15 years or greater, but less than 20	8.7	8.7
10 years or greater, but less than 15	27.2	31.6
5 years or greater, but less than 10	12.5	8.8
Less than 5 years	8.4	8.4

Source: AEW

* WAULT to break 16.3 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 Risk Free Rates (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

The contribution of major tenants to rental income	
Tenant	%
PRIME LIFE LIMITED	24.2
INCLUSION HOUSING CIC	14.9
SOUTH TEES NHS FOUNDATION TRUST	12.1
THREE LITTLE BIRDS LPS LIMITED	11.6
BOOKER CASH AND CARRY LIMITED	4.4
MY SPACE HOUSING SOLUTIONS	4.2
REVOLUTION BARS LTD	3.8
PURE GYM LTD	3.7
HAPPY DAYS DAY NURSERIES LIMITED	3.4
TRAVELodge HOTELS LIMITED	3.1
Three largest tenants' contribution to rental income	51.2
Five largest tenants' contribution to rental income	67.2
Ten largest tenants' contribution to rental income	85.4

Source: AEW

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	85.9	0.0	0.0	0.0	85.9
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	8.5	0.0	0.0	0.0	8.5
Other net assets/liabilities	-0.9	0.0	0.0	0.0	-0.9
Total net assets	93.4	0.0	0.0	0.0	93.4
Gearing (%)					
Net debt (cash)/properties	-9.8	-	-	-	-9.8
Net debt (cash)/equity	-9.1	-	-	-	-9.1

Source: AEW

Quarterly data per unit						
As at	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	31-Mar-24	30-Jun-24
Bid (GBP)	0.953	0.955	0.951	0.944	0.924	0.842
Offer (GBP)	1.033	1.036	1.031	1.024	1.002	0.913
Bid/offer spread	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Net asset value (GBP)	0.967	0.970	0.965	0.959	0.938	0.900
Quarterly distribution (GBP)	0.0139	0.0117	0.0103	0.0154	0.0157	0.0136
Yield	4.8%	4.9%	4.7%	5.3%	5.7%	6.1%

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

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	1.2
1% or greater but less than 2%	0	0.0
2% or greater but less than 4%	2	5.4
4% or greater but less than 8%	0	0.0
Greater than 8.0%	5	93.4
Total	13	100.0
Major investors		
Largest holder	1	44.6
Three largest holders	3	75.2
Five largest holders	5	93.4
Ten largest holders	10	99.8
Internal/external investors		
Internal	2	0.3
External	11	99.7

Source: AEW

Liquidity						
Period	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022	Year to Dec 2023	Year to Dec 2024
Issues and redemptions						
Units in issue as at start of period	127,943,693	142,573,871	143,062,128	182,339,081	194,937,195	131,703,670
Units issued during period	17,981,717	488,258	41,387,766	12,598,115	654,705	24,892
Units redeemed during period	-3,351,539	0	-211,081,771	0	-63,888,230.39	-27,932,843
Units in issue at end of period	142,573,871	143,062,128	182,339,081	194,937,195	131,703,670	103,795,720
Unit transfers						
Matched bargains	-	-	72,706,298.817	0	0	0
Matched bargains %*	-	-	0.039874227	0%	0%	0%

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

Source: AEW