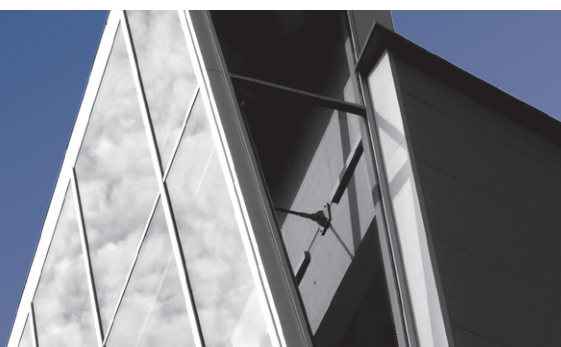


### Fund Highlights

- 3 year track record released – the Fund was the top performing balanced fund with an annualised total return of 16.8% against 9.4% for the index<sup>1</sup>
- Average outperformance of 7.4% over 3 years against the IPD benchmark<sup>2</sup>
- Post period end the Fund passed through £200m NAV
- The Fund now has a revolving credit facility for bridging purposes
- Annualised distribution yield of 8.7%<sup>1</sup>

<sup>1</sup> Source: All Balanced Property Fund Index – IPD UK Pooled Property Fund Index for the period ending 31 March 2015

<sup>2</sup> Source: IPD All Balanced Property Fund Index - weighted average for the 3 year annualised period ending 31 March 2015



### Investment Strategy

We continue to see a strong pipeline of attractive deals for this strategy, spread both geographically and across the various sectors. Particularly in the South East, competition for assets has been strong, however this has been mirrored by improvements in the occupational markets across this area. The Fund has been able to remain competitive in this region succeeding to place a number of interesting assets under offer through both its focus on exhaustive due diligence and by its strong reputation for transaction delivery.

Across the UK, we continued to seek mispriced assets that are well located and have strong tenant demand. Smaller lot sizes continue to provide attractive opportunities allowing us to exploit a significant yield advantage.

### Q1 Investment Acquisitions

#### Go Outdoors, Stoke-on-Trent

- Strong covenant in town centre with valuable car park
- Purchase price £3.44m
- 7.6% Triple Net Yield • £38 psf



#### Cresta House, Luton

- Purchased at vacant possession value
- Purchase price £3.85m
- 9.5% Triple Net Yield • £65 psf



### Asset Management

Whilst the Fund has a 10% of NAV restriction on property development our active management approach seeks to maximise income and capital value over the short, medium and long term. Seeking outline planning consents, changes of planning use, adapting space to meet evolving occupier needs and engaging architects, planning and specialist sector consultants are all part of this approach. Most of our assets are income producing however here are three examples of active initiatives.

#### Centre 27, Birstall, Leeds

Currently a business park, where we are refurbishing office space to maximise short term income, the site has higher value retail use due to its location at the edge of a major regional shopping park. We have engaged planning consultants to commence change of use discussions with the local authority, architects to draw up layout plans and retail consultants to establish food and non food retailer demand.



#### Imperial Arcade, Brighton

To increase footfall in this thriving central Brighton shopping arcade, anchored by Starbucks and Panasonic, a pop up Art Gallery will appear over the summer months. Architects have drawn up a scheme for hotel use in the upper parts and negotiations have commenced with neighbouring owners to assemble a larger long term development site.



#### Intec Business Park, Basingstoke

New lettings totalling £77,000 pa have been agreed at Intec 2 and 3 and site clearance work has commenced on Intec 4 and 5 (two derelict office buildings). Pre-application planning drawings have been submitted to the council for high bay distribution warehouses. Joint agents appointed to market the design and build opportunity have received several promising 50,000 sq ft enquiries from blue chip logistics operators.



### Report of Governance Committee on the AEW UK REIT PLC

One important issue addressed by the Governance Committee (GC) over Q1 was the implication of the proposed launch by AEW UK of a publicly quoted REIT. While this is a decision for the Manager, we have a responsibility to ensure that any impact on the Core Fund is minimised. Two issues were addressed in discussions with the Manager.



George Henshilwood,  
Independent Chairman  
of Governance  
Committee

1. The REIT intends to invest up to 10% of its assets in the Core Property Fund. We were concerned that the proposed investment might be large, however it is only £10m which we all agreed was manageable.
2. The REIT has a very similar investment policy to the Core Property Fund. Accordingly, to address potential conflicts, the Manager has devised an allocation policy between the Core Property Fund and the REIT to ensure fair treatment. The Manager proposed that the Core Property Fund would have a right of first refusal to purchase properties introduced to the Manager under £7.5m and the REIT would have a right of first refusal for properties in excess of £7.5m introduced to the Manager (although each fund could end up buying larger or smaller properties if the Core Fund or REIT did not wish to take advantage of a particular opportunity). Since the Core Property Fund continues to see the opportunity in smaller lot sizes, the GC felt that this proposed policy was satisfactory and we have agreed to it, recognising that we will be able to monitor the implementation on an ongoing basis and that the Manager may want to re-visit this once the initial REIT capital raise has been invested. (The IPO for the UK REIT was on the 6th May 2015 and raised £100.5m.)

| Investment        | 3 months | 6 months | 9 months | 12 months | 3 years |
|-------------------|----------|----------|----------|-----------|---------|
| Performance %     | %        | %        | %        | %         | %       |
| AEW UK Core Fund  | 3.3      | 8.7      | 14.4     | 22.3      | 16.8    |
| Weighted Average  | 2.8      | 7.5      | 11.8     | 16.6      | 9.4     |
| Upper Quartile    | 3.4      | 8.5      | 13.2     | 17.9      | 10.8    |
| Median            | 3.1      | 7.6      | 12.2     | 16.7      | 9.9     |
| Lower Quartile    | 2.4      | 6.6      | 10.3     | 15.1      | 9.1     |
| Funds in Universe | 25       |          |          |           |         |

Source: All Balanced Property Fund Index – IPD UK Pooled Property Fund Index for the period ending 31 March 2015.

## Fund Facts

### Portfolio Manager

Richard Tanner



### Fund aim

To provide investors with exposure to a diversified, multisector portfolio of commercial property assets throughout the UK. The Fund seeks to achieve superior investment returns through relatively high income returns, strong stock selection and active management of all assets.

Launch date: Q1, 2012

### Fund structure

Property Authorised Investment Fund

### Benchmark

All Balanced Property Fund Index – IPD UK Pooled Property Fund Index – weighted average

Fund size (Net Asset Value): £184.8m

Triple net initial yield (% p.a.): 9.44%

Number of investors: 27

Number of AEW employee investors: 4

Number of properties acquired: 52

Number of properties under offer: 6

Gearing (% of NAV): 0%

Capital Cash holdings (% of NAV): 2.1%

### Single price

March NAV price – 1.1205

March single price – 1.1855

Annual management charge: 0.7% per annum\*

### Distribution dates

Income is allocated to investors quarterly and paid within three months of the end of the quarter during which they were earned.

\* The Authorised Corporate Director (ACD) is entitled to a performance fee of 0.25% of the Net Asset Value per annum, if the AEW UK Core Property Fund is ranked in the top ten funds of the All Balanced Property Funds Index – IPD UK Pooled Property Fund Index – weighted average over a three year rolling period and if the return is positive.

Until the three year rolling period Index is available, the performance-related fee will be calculated by reference to the Fund's performance over a twelve month rolling period.

## Key contact

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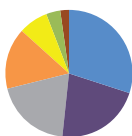
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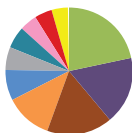


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| 10 largest assets                 | Location    | Sector           | Value (GBPm) | % of Fund Value |
|-----------------------------------|-------------|------------------|--------------|-----------------|
| Belvedere House                   | Basingstoke | Office           | 9.8          | 5.30%           |
| Spectrum                          | Swindon     | Industrial       | 8.7          | 4.69%           |
| Pryzm                             | London      | Other            | 7.9          | 4.29%           |
| 36-42 Old Christchurch Road       | Bournemouth | Standard Retail  | 7.8          | 4.22%           |
| 1-6 Salter Row & 17-21 Woolmarket | Pontefract  | Standard Retail  | 7.3          | 3.95%           |
| Eddie Stobart, Grandstand Road    | Wakefield   | Industrial       | 5.8          | 3.14%           |
| 18/20 St. Mary's Square           | Swansea     | Standard Retail  | 5.5          | 2.95%           |
| Rivercourt Uxbridge               | Uxbridge    | Office           | 5.3          | 2.87%           |
| Smyths Toys & DSG                 | Swansea     | Retail Warehouse | 5.0          | 2.68%           |
| 730 Aztec West                    | Bristol     | Office           | 4.7          | 2.54%           |



| Sector weightings | Fund  | Relative weightings |          |
|-------------------|-------|---------------------|----------|
|                   |       | Index               | Position |
| Offices           | 30.0% | 30.7%               | -0.7%    |
| Standard Retail   | 21.8% | 12.4%               | +9.4%    |
| Industrials       | 19.5% | 20.4%               | -0.9%    |
| Retail Warehouses | 15.4% | 17.6%               | -2.2%    |
| Other             | 7.4%  | 8.9%                | -1.5%    |
| Shopping Centres  | 3.7%  | 4.8%                | -1.1%    |
| Cash              | 2.1%  | 5.1%                | -3.0%    |



| Geographical weightings  | Fund   |
|--------------------------|--------|
| South East               | 21.69% |
| West Midlands            | 17.45% |
| South West               | 16.57% |
| Yorkshire and Humberside | 11.93% |
| Eastern                  | 7.79%  |
| Wales                    | 5.73%  |
| North West               | 5.60%  |
| North East               | 4.46%  |
| Scotland                 | 4.42%  |
| Rest of London           | 4.37%  |

| Lease Profile – AEW UK Core Property Fund against the All Balanced Property Fund Index – IPD UK PFFI | AEW UK Core Property Fund | PPFI      |
|--|---------------------------|-----------|
| Average weighted unexpired lease term to break   | 4.3 years                 | 8.0 years |
| Average weighted unexpired lease term to expiry  | 5.6 years                 | 9.2 years |

Source: Figures calculated by IPD for AEW; IPD benchmark figures include funds within the All Balanced Property Fund Index. IPD ©2015 All rights reserved. AEW UK Core Property Fund data as at 31 March 2015 properties exchanged and completed. IPD data as at December 2014.

| Risk and volatility statistics | Annualised quarterly data |          |
|--------------------------------|---------------------------|----------|
|                                | Q1, 2015                  | Q4, 2014 |
| Absolute standard deviation    | 3.48%                     | 3.62%    |
| Tracking error                 | 1.85%                     | 1.78%    |
| Information ratio              | 2.65                      | 2.64     |
| Beta                           | 0.84                      | 0.86     |

Source: Based on annualised quarterly data and calculated by the AEW Capital Management Research Team. Benchmark is the All Balanced Property Funds Index – IPD UK Pooled Property Fund Index – weighted average. These statistics are provided for information purposes only and cannot be relied upon for in relation to any decision. All data provided should be considered in the light of the age and size of the Fund. The above statistics are based on annualised quarterly data since the Fund's inception. It can be considered a small sample and as a result the statistics may not be meaningful.

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