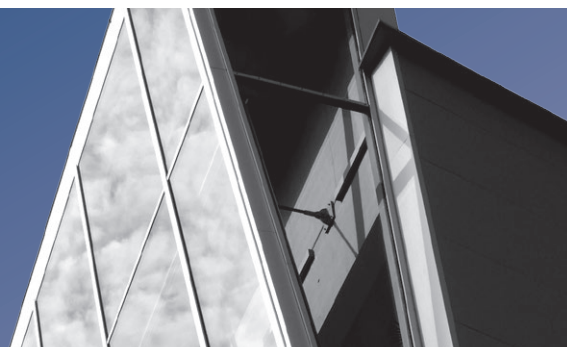


Fund Highlights

- Over three years the Fund was the top performing balanced fund with an annualised total return of 17.7%¹
- Average outperformance of 4.8% over 3 years against the IPD benchmark²
- Annualised distribution yield of 7.9%¹
- The return of 2.6% this quarter is lower reflecting the market uncertainty

¹ Source: AREF/IPD UK Quarterly Property Fund Index – All Balanced Property for the quarter to 31 December 2015

² Source: AREF/IPD UK Quarterly Property Fund December Index – weighted average for the 3 year annualised period ending 31 December 2015



Investment Strategy

The fourth quarter was a relatively quiet period for the fund as uncertainty creeping into the market slowed down decisions from our tenants, investors and valuers, which is reflected in the more subdued returns this quarter compared with our competitors. As we have often discussed with our clients our strategy tends to deliver stronger relative returns in recovering markets or flat markets and less strong returns when our stakeholders both occupiers and investors take fright. Value investing is a long term business and from our current valuations, with significant asset management deals in progress, we feel cautiously optimistic about 2016. That said as I write, as has been the case many times over the years, clouds are gathering. Like many other such periods, these may, to a degree,

blow over and the benefits of the income, with asset management potential will start to bubble through again.

Investment	3 months	6 months	9 months	12 months	3 years
Performance %	%	%	%	%	%
AEW UK Core Fund	2.6	6.5	10.6	14.2	17.7
Weighted Average	2.8	5.9	9.4	12.5	12.9
Upper Quartile	3.2	6.7	10.5	14.2	13.8
Median	3.0	6.4	10.1	13.4	13.4
Lower Quartile	2.6	5.5	8.9	11.9	12.4
Funds in Universe	25				

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

Q4 Investment Acquisitions

53–63 Cornwall St 135–147
Armada Way, Plymouth

- Prominent corner units within a busy pedestrianised pitch
- Purchase Price: £3.3m
- Net Initial Yield: 11%
- £140 psf



9–25 & 39–41 Bold Street,
Liverpool, L1 4DS

- Edge of City Centre location with high footfall
- Purchase Price: £4.7m
- Net Initial Yield: 6.6%
- Reversionary Yield: 12%



Globe Square Industrial Estate,
Dukinfield, Manchester

- Low capital value per sq ft in an improving occupier market
- Purchase Price: £2.05m
- Net Initial Yield: 8.5%
- £22 psf



46–48 Dudley Street,
Wolverhampton WV1 3ER

- Prime pedestrian pitch
- Top 50 retailing location
- Purchase price: £2,300,000
- NIY: 11.6%
- Cap Val: £217 psf



Asset Management

Royds Lane, Leeds

After protracted discussions with the tenant, we have removed the 2016 break and secured a 2 year lease extension from



June 2019, extending the WAULT from 7 months to 5 years.

The new rent is 14% above ERV (£3.50 psf) at £4.00 psf.

This lease now mirrors the neighbouring unit (both now expiring 2021), facilitating full scale future redevelopment, possibly as a car showroom.

Tangent House, Reading

Having agreed to remove the tenant's option to determine the lease, the tenant also agreed to a fixed uplift to £105,630 per annum from 4 January 2016. The new rent equates to £21 psf with the (ERV £20 psf £17.50 psf when negotiations commenced in July 2014). The combination of this deal and a strong occupational market in Reading has created a 68% uplift in value since purchase in September 2012.



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 – AREF/IPD UK Quarterly Property Fund Index – weighted average

Fund size (Net Asset Value): £225.4m

Triple net initial yield (% p.a.): 8.5%

Number of investors: 45

Number of AEW employee investors: 4

Number of properties acquired: 64

Number of properties under offer: 1

Gearing (% of NAV): 2.2%

Total expense ratio: 1.10%

Capital Cash holdings (% of NAV): 1.1%

Single price

December NAV price – 1.168

December single price – 1.2357

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

Dana Eisner

dana.eisner@aeweurope.com

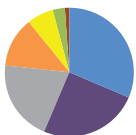
T: 020 7016 4883

M: 07834 439 688



AEW UK is a trading name of AEW UK Investment Management LLP, a limited liability partnership registered in England and Wales (registration number OC 367686) whose registered office is at 33 Jermyn Street, London SW1Y 6DN, England. AEW UK Investment Management LLP is authorised and regulated by the Financial Conduct Authority.

10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
Trent House, Derwent House and Cranfield Innovation Centre	Cranfield	Office	11.06	4.91%
Spectrum	Swindon	Industrial	10.00	4.44%
Belvedere House	Basingstoke	Office	9.90	4.39%
36–42 Old Christchurch Road	Bournemouth	Standard Retail	8.85	3.93%
Pryzm	Kingston upon Thames	Other	8.65	3.84%
1/16 Salter Row, 17/21 Woolmarket	Pontefract	Standard Retail	7.45	3.30%
18/20 St Mary's Square	Swansea	Standard Retail	6.00	2.66%
Eddie Stobart, Grandstand Road	Wakefield	Industrial	6.00	2.66%
Rivercourt Uxbridge	Uxbridge	Office	5.30	2.35%
Bridgefoot House	Radlett	Office	4.95	2.20%



Sector weightings	Fund	Relative weightings	
		Index	Position
Offices	31.6%	32.8%	-1.2%
Standard Retail	24.8%	11.3%	+13.5%
Industrials	20.5%	20.7%	-0.2%
Retail Warehouses	12.5%	16.6%	-4.1%
Other	6.5%	8.9%	-2.4%
Shopping Centres	3.0%	4.9%	-1.9%
Cash	1.1%	4.8%	-3.7%



Geographical weightings	Fund
West Midlands	19.46%
South East	18.12%
South West	16.58%
Eastern	11.17%
Yorkshire and Humberside	9.64%
North West	7.65%
Scotland	5.24%
Wales	4.79%
Rest of London	3.79%
North East	3.55%

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	4.0 years	7.8 years
Average weighted unexpired lease term to expiry	5.2 years	9.0 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 December 2015 properties exchanged and completed. IPD data as at 30 September 2015.

Risk and volatility statistics	Annualised quarterly data	
	Q4, 2015	Q3, 2015
Absolute standard deviation	3.17%	3.20%
Tracking error	1.98%	1.94%
Information ratio	0.86	1.42
Beta	0.79	0.81

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.

IMPORTANT NOTICE This is a communication issued by AEW UK Investment Management LLP, trading as AEW UK ("AEW UK"). It relates to the AEW UK Core Property Fund (the "Fund"). An investment in the Fund can only be made on the basis of an information memorandum and the Fund documentation. This communication cannot be relied upon as the basis on which to make a decision to invest in the Fund. This communication does not constitute an invitation or inducement to subscribe to any particular investment. It is issued to you on the basis that AEW UK believes you to be a qualified investor or a professional investor or any similar status in another state or jurisdiction and thus entitled to receive this communication. If this is not the case and you have received this document in error, please delete or destroy and notify

AEW UK immediately. This communication is forwarded to you for information purposes only and does not constitute a personal recommendation. You should seek professional advice before making any investment decision. The value of investments and the income from them can fall as well as rise. An investor may not get back the amount of money invested. Past performance is not a guide to future performance. AEW UK Investment Management LLP believes the information to be correct at the time of writing but does not make any representation as to the accuracy or completeness of the material and does not accept liability for any loss arising from the use hereof. It is under no obligation to ensure that updates to the document are brought to your attention.