

AEW UK Core Plus Property Fund

INVESTMENT POLICY AND OBJECTIVES

The AEW UK Core Plus Property Fund will look for and capitalise on market inefficiencies. The Fund manager follows a “Core Plus” investment strategy. Core Plus is a specific investment style, which when used for real estate results in a more geared (i.e. leveraged) targeted return strategy with a potentially higher yield. Properties selected for investment may require a significant amount of asset management, but with greater potential for improvement and increasing the capital value of that property. The investment process is very stock focused and draws upon our strong active asset management capabilities. As a value investor, the AEW UK Core Plus 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 AEW UK Core Plus 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 December
NAV (GBPm)	283.6

Source: AEW

Management/professional advisors	
Trust Manager	AEW UK
Property investment manager	AEW UK
Portfolio Manager	Richard Tanner
Trustee	BNY Mellon Trust & Depositary
Auditors	BDO

Source: AEW

Investment rates of return, %		MSCI/AREF UK Quarterly Property Fund Index*		
	AEW UK Core Plus Property Fund	Other balanced open-ended funds	All balanced open-ended funds	All funds
3 months	2.1	0.3	0.4	0.3
Year-to-date	1.5	0.1	0.2	0.1
12 months	-14.2	-17.1	-17.4	-17.1
3 years+	5.0	3.3	3.4	2.3
5 years+	3.2	2.3	2.2	1.1
10 years+	8.9	6.6	6.3	5.5

Note: * Weighted average returns + Annualized

Source: MSCI/AREF UK Quarterly Property Fund Index

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 %		MSCI/AREF UK Quarterly Property Fund Index**		
	AEW UK CORE PLUS PROPERTY FUND*	Other balanced open-ended funds	All balanced open-ended funds	All funds
Standard retail – South East	11.2	4.92	4.59	4.63
Standard retail – Rest of UK	8.8	1.22	1.42	2.34
Shopping centres	0.9	0.58	0.87	2.53
Retail warehouses	3.9	12.42	12.11	7.64
All UK retail	24.8	19.14	18.99	17.14
City offices	0.0	3.34	3.40	3.22
West End offices	0.0	8.10	7.51	5.08
Rest of South East offices	6.7	7.53	7.11	5.54
Rest of UK offices	3.2	5.18	4.92	5.25
All UK offices	10.0	24.15	22.94	19.09
South East industrial	13.5	24.01	24.50	20.33
Rest of UK industrial	24.1	13.63	13.65	11.76
All UK industrial	37.6	37.64	38.16	32.09
Other UK properties	25.4	12.37	12.51	25.89
Cash	2.2	6.69	7.40	5.80
Overall	100.0	100.0	100.0	100.0

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

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	57	336.8	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0.0	0.0
Total	57	336.8	100.0

Source: AEW

Largest direct investments by lot size & percentage of total portfolio				
Property	Location	Sector	Valuation (GBPm)	% of total portfolio
FIVEWAYS LEISURE PARK,BIRMINGHAM,FIVEWAYS LEISURE CENTRE	Birmingham	Leisure Park (whole or part)	25-30	5-10%
DHL STANTON	BURY ST EDMUNDS	Industrial	15-20	5-10%
Harbour Island	London	Retail Other	15-20	5-10%
GRAZEBROOK INDUSTRIAL	DUDDLEY	Industrial	15-20	5-10%
BROAD ST MALL	Reading	Office	15-20	0-5%
LONDON EAST LEISURE PARK	DAGENHAM	Leisure Park (whole or part)	10-15	0-5%
HENGROVE LEISURE PARK	BRISTOL	Leisure	10-15	0-5%
Hythe Marine Park	Southampton	Industrial	10-15	0-5%
SPECTRUM	SWINDON	Industrial	10-15	0-5%
WAREHOUSE	CREWE	Industrial	10-15	0-5%
10 largest investments as % of portfolio			164.6	48.9

Source: AEW

Direct portfolio structure by lot-size bands			
Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	21	29.8	8.8
2.5 - 5	15	53.5	15.9
5-10	9	69.8	20.7
10-25	11	158.1	46.9
25 - 50	1	27.7	8.2
50 - 100	-	-	-
100-150	-	-	-
Over 150	-	-	-
Total	57	336.8	100.0
Average lot size		5.9	

Source: AEW

Property Yield		Voids as % of ERV	
Net initial yield	6.15%	Investments	18.80%
Nominal equivalent yield	8.12%	Developments	0.00%
True equivalent yield	8.52%	Total	18.80%
Net reversionary yield	8.45%		

Source: Knight Frank

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	24.2	22.8
Retail warehousing	5.3	3.6
Shopping centres	0.8	1.6
Central London offices	0.0	0.0
Other offices	11.3	12.4
Industrial	33.5	39.3
Other	25.0	20.3
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	6.3	10.1	0.0	27.0	-11.2	6.2	-5.0	132.3
Retail warehousing	1.4	0.0	0.0	4.2	-14.4	11.2	-3.2	94.9
Shopping centres	0.2	0.0	0.0	44.0	-11.2	141.9	130.7	274.7
Central London offices	-	-	-	-	-	-	-	-
Other offices	2.9	0.0	0.0	34.3	-5.5	25.5	20.0	154.3
Industrial	8.7	9.3	0.0	35.3	-0.4	23.3	22.8	164.9
Other	6.5	2.5	0.0	15.1	-14.1	10.4	-3.7	113.8
Overall	26.0	6.2	0.0	26.6	-7.9	16.5	8.6	140.3

*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	1.5
15 years or greater, but less than 20	6.7
10 years or greater, but less than 15	12.5

5 years or greater, but less than 10	17.6
Less than 5 years	61.8

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)+
30	3.469		4.08	-	-	-
30	5.025		4.08	-	-	-
-	-		-	-	-	-
-	-		-	-	-	-
-	-		-	-	-	-

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	30%
Cash holdings (maximum)	10%
Cash holdings (minimum)	0%

Source: AEW

Note: Long term gearing not permitted

The contribution of major tenants to rental income	
Tenant	%
CINEWORLD	10.2
DHL SUPPLY CHAINS LTD	7.0
FAIRLINE YACHTS LTD	5.0
COOPER TIRE & RUBBER COMPANY EUROPE LTD	4.6
UNIVERSITY OF WEST LONDON HIGHER EDUCATION CORPORATION	4.3
CC STIM UK TRADECO S LTD	2.0
CINE-UK LTD	2.0
EUROCARPARKS X 2	1.7
NATIONAL VETERINARY SERVICES LTD (VACATING)	1.7
BANCROFT LIMITED	1.6
Three largest tenants' contribution to rental income	22.2
Five largest tenants' contribution to rental income	31.1
Ten largest tenants' contribution to rental income	40.1

Source: AEW

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	336.8	0.0	0.0	0.0	336.8
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	-60.0	0.0	0.0	0.0	-60.0
Cash	7.6	0.0	0.0	0.0	7.6
Other net assets/liabilities	-0.8	0.0	0.0	0.0	-0.8
Total net assets	283.6	0.0	0.0	0.0	283.6
Gearing (%)					
Net debt (cash)/properties	15.6	-	-	-	15.6
Net debt (cash)/equity	18.5	-	-	0.0	18.5

Source: AEW

Quarterly data per unit						
As at	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23
Bid (GBP)	-	-	1.264	1.214	-	1.211
Offer (GBP)	1.529	1.578	-	-	1.306	-

Mid (GBP)	-	-	-	-	-	-
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	1.432	1.477	1.425	1.233	1.219	1.229
Quarterly distribution (GBP)	0.0146	0.0139	0.0075	0.0091	0.0074	0.0148
Yield	4.5%	4.1%	3.2%	3.6%	3.1%	3.1%

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 0.85% 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 is entitled to a performance fee if (i) a performance hurdle is met and (ii) a high water mark is exceeded. The performance hurdle is the higher of (i) 8% per annum of the total return and (ii) 0.25% above the UK All Balanced Property Fund Index return MSCI/AREF UK Quarterly Property Fund Index, each on a three year rolling basis. The performance fee is 17.5% of the outperformance of the higher of the two components of the performance hurdle. The high water mark is the highest previously recorded quarterly net asset value per share over the preceding five years.

Leverage

The Fund may only borrow up to 30% of the gross property portfolio (as determined by the Standing Independent Valuer) at the time of drawdown and investment.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	29	8.5
1% or greater but less than 2%	5	7.3
2% or greater but less than 4%	5	15.5
4% or greater but less than 8%	4	21.8
Greater than 8.0%	2	46.9
Total	45	100.0
Major investors		
Largest holder	1	25.8
Three largest holders	3	54.3
Five largest holders	5	64.7
Ten largest holders	10	82.1
Internal/external investors		
Internal	3	0.15
External	42	99.85

Source: AEW

Liquidity						
Period	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022	Year to Dec 2023
Issues and redemptions						
Units in issue as at start of period	212,008,201	218,658,263	228,477,828	229,972,285	233,680,186	234,256,481
Units issued during period	9,947,189	15,302,013	3,864,846	13,908,083	6,137,314	693,012
Units redeemed during period	-3,297,128	-5482448.17	-2,370,388	-10,200,182	-5,561,019	-4,301,880
Units in issue at end of period	218,658,263	228,477,828	229,972,285	233,680,186	234,256,481	230,647,613
Unit transfers						
Matched bargains	2,649,301	1338285	1832529	3,887,777	58,635,014	0
Matched bargains %*	0	0.005857395	0.007968478	1.66%	25.03%	0.00%

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

Source: AEW