

Case Study: AEW UK Impact Fund



The [AEW UK Impact Fund](#) (“UKIF” or the “Fund”) is an open-ended fund which is seeded with a diversified £100m portfolio of UK impact assets comprising specialist supported living, key worker accommodation and care homes together with community and residential-led town centre regeneration projects that influence wellbeing.

AEW launched UKIF in September 2023 when, following the receipt of approval by the FCA and investors, the AEW Real Return Fund (“RRF”) transitioned into this new strategy using its existing impact assets as the seed portfolio. The Fund benefits from RRF’s seven-year track record of investing in alternative sectors influenced by social and demographic needs, with RRF topping both the MSCI/AREF UK Long Income Open-Ended Property Fund Index and the MSCI/AREF All Balanced Funds Index over a five-year period last quarter.

UKIF provides a bespoke real estate solution that addresses place-based needs in the UK. Investments are made in collaboration with local authorities and aim to increase the provision of sustainable real estate with a social use value for communities. This can include residential housing, care facilities, nurseries and leisure and community facilities. UKIF will adopt an active management, core-style strategy and seek to generate a sustainable income stream and return for investors.

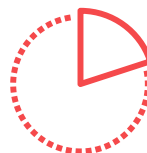
As of 30 June 2023:



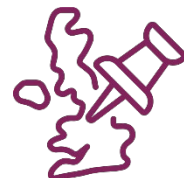
£144.4m total portfolio value



Of which **80%** is allocated to ‘impact’ and ‘improver’ assets, which meet the Fund’s recently defined impact threshold, or there are plans in place to carry out works so that they do.



Of which **20%** is allocated to ‘neutral’ assets, which do not meet the Fund’s recently defined impact threshold and it is in the process of exiting from



63% of assets located in the **40%** most deprived local authorities

AEW UKIF's Need

The Good Economy (TGE) was engaged by AEW UK in 2022 to set up an Impact Measurement and Management (IMM) Framework for the RRF seed portfolio. The RRF launched in 2016 with a strategy to invest in a range of real estate sectors aiming to align the positive impacts of property in local communities with the needs of long-term savers.

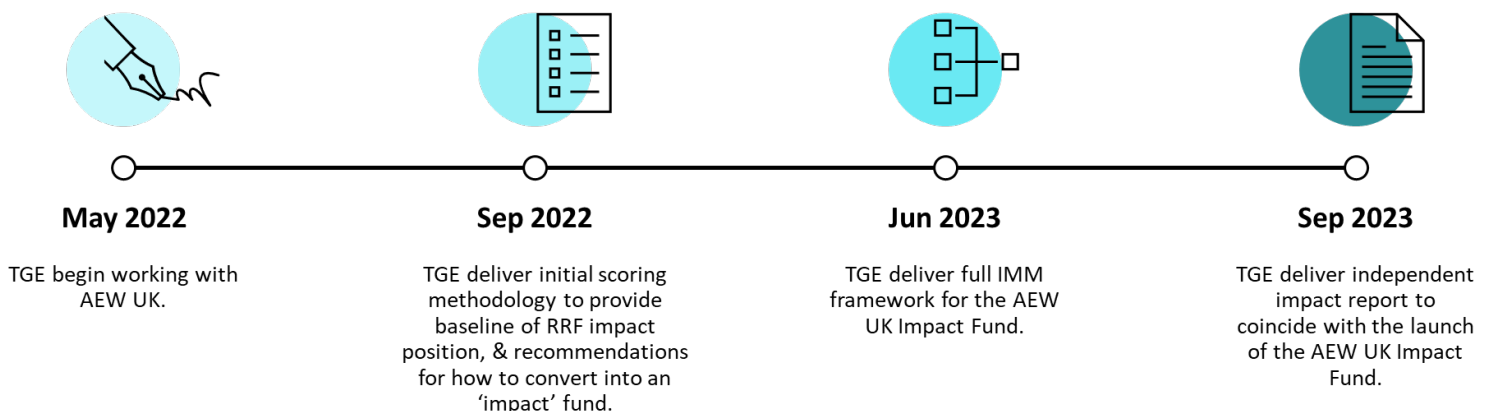
With a view to capitalising on the positive place-based impact potential of real estate investment, AEW commissioned TGE to design a formal approach to convert the existing RRF strategy into one with the necessary credentials to be an 'impact' fund.

Ed Long, Portfolio Manager, AEW UKIF said, "The built environment has a huge influence on people's everyday lives and UKIF provides investors with an opportunity to invest in a way that creates both a tangible positive social and environmental impact, whilst also achieving their return objectives. It is therefore important for AEW to credibly and accurately measure the positive impact processes and outcomes our investments deliver. The Good Economy has provided us with a robust and accurate framework that allows us to achieve this important objective."

The Good Economy Approach

Through 2022-23, The Good Economy worked alongside AEW UK to design a robust impact measurement and management methodology for this new fund strategy. This involved:

- Consultation with the Financial Conduct Authority to ensure the Fund would meet the requirements of incoming Sustainable Disclosure Regulation (SDR) around product labelling
- Designing a full IMM framework to enable the Fund to measure, manage and report on its impact creation.
- Designing a scoring methodology to assess and score assets according to their potential to deliver positive place-based impact
- Delivering an independent impact report at the point of the Fund's relaunch as the AEW UK Impact Fund.



Outcome

In September 2023, AEW officially launched the AEW UK Impact Fund as its first dedicated place-based impact investing strategy. The launch followed receipt of approval from the FCA and investors

to transition the AEW Real Return Fund into this new strategy using the existing portfolio of impact assets.

To coincide with this official relaunch, TGE delivered an independent impact report assessing the impact performance of the Fund's current portfolio. This is designed to provide a baseline against which future impact performance can be compared and assessed.

The Fund is now implementing the impact strategy and using the impact management tools developed by TGE to target investments which address the place-based needs of the UK, while exiting investments that it does not consider to meet its impact credentials. AEW is also now actively looking to raise capital on behalf of UKIF, targeting a range of investors, from institutional, government and local government pension schemes to private wealth.

"UKIF's Impact Framework is structured around the goal of improving real-world outcomes experienced by people, place and the planet. This means providing people in underserved locations with access to real estate; funding developments and refurbishments that service a societal need; and ensuring investments are socially and environmentally sustainable through prudent property stewardship. UKIF's bespoke IMM system is designed to align with best practice impact investing principles for measuring and reporting. Working with The Good Economy has enabled AEW to launch its first impact fund and provides investors with an opportunity to invest in a way that creates both a tangible positive social and environmental impact, whilst also achieving their return objectives."

- AEW UK