

23 June 2022

We have updated this Q&A to answer additional questions received since the Funds closed on 9 August 2021 and to reflect the decision relative to the fifth distribution which will be issued in June 2022. All documentation referred to within this Q&A can be found at [www.aegonam.com/paif](http://www.aegonam.com/paif).

## Decision to close

The Aegon Asset Management UK Board, in agreement with the Depositary, Citibank UK Ltd, (and with approval from the regulator) closed the Aegon Property Income Fund (“APIF”) and its associated Feeder funds (hereinafter collectively referred to as “Funds”) on 9 August 2021.

## Background

Dealing in the funds was initially suspended on 16 March 2020 due to APIF’s Standing Independent Valuer, CBRE, applying a Material Uncertainty Clause (“MUC”) to the valuations of underlying properties held by APIF. CBRE applied the MUC because there was insufficient evidence in the market to accurately value the underlying properties due to turbulent market conditions, caused mainly by the Covid-19 pandemic. As the feeder funds invest solely in units of APIF, they were also suspended at this time.

The MUC was in place until late September 2020, when CBRE (in agreement with the Manager) removed it. The dealing suspension, however, remained in place due to liquidity within APIF being below the requisite level to meet anticipated levels of investor redemptions. The continued suspension allowed the Manager the opportunity, through the orderly sale of properties, to raise liquidity within APIF as quickly as possible to meet expected redemption requests.

Throughout this process, we made every effort to receive market values for the assets being sold. The Depositary and FCA were regularly updated regarding the actions taken with a view to re-opening the Funds.

## Questions & answers

### **Q1. Why did we decide to close the funds 18 months after they were initially suspended?**

Notwithstanding the above, we reassessed and stress-tested our assumptions for likely redemptions in view of a recent deterioration in investor sentiment across the sector. We noted an increase in the level of anticipated redemptions, which meant that more property sales were required to raise further liquidity. Given these factors, we were concerned about our ability to meet the Funds’ investment objectives, while also delivering daily liquidity to investors. Accordingly, we believed it to be in the best interests of all investors to close the Funds and return capital to investors as quickly as possible.

### **Q2. How long will it take for investors to receive the proceeds from the sale of the Funds’ assets?**

We expect that it will take 12 to 24 months from closure to liquidate APIF’s portfolio entirely and to transfer the proceeds to investors through a series of payments. We aim to make these payments on at least a quarterly basis if enough properties have been sold in that period to enable us to make a material distribution. We will continue with this process until all properties within APIF have been sold. We will keep you updated with progress relative to both sales and these payments via regular updates on our website.

On closure, we made a pro-rata distribution to investors, representing 44% of the Funds’ value, which was paid on 12 August 2021. We have since made 3 further distributions to investors bringing the total distributed to £229m, representing 60.3% of the Funds’ NAV upon closure. Details of each distribution are listed below:

- 19 November 2021 - second distribution representing 2.83% of the Funds’ NAV as at 11 November 2021
- 10 February 2022 - third distribution representing 14.5% of the Funds’ NAV as at 7 February 2022.

- 19 April 2022 - fourth distribution representing 15.3% of the Funds' NAV as at 13 April 2022.

On 27 June we will initiate the process of making the fifth pro-rata distribution to investors. We will distribute £22m, representing around 15% of the value of the Funds as at 21 June 2022. This should be received on or around 30 June 2022. As previously, if we hold an investor's bank account details then we will pay this distribution by bank transfer, otherwise we will issue a cheque. We will also issue contract notes detailing the amount paid.

**Q3. Will cash payments be facilitated by means of a reduction in the number of units held or by a NAV reduction?**

Cash payments will be facilitated by a reduction in the number of units for each investor.

**Q4. Of the 44% capital distribution that you returned to investors at closure, how much of that amount was based on anticipated sales?**

This 44% figure reflected completed sales.

**Q5. How will I be notified about distributions?**

We will issue contract notes to all investors and update the fund page on our website at [www.aegonam.com/paif](http://www.aegonam.com/paif).

**Q6. How many properties remain in APIF?**

As at 31 May 2022 there were 15 properties in the portfolio. We will continue to publish a monthly factsheet showing our progress in selling these properties.

**Q7. What is your approach to selling the remaining properties in the portfolio?**

We have an orderly sales programme scheduled for the remaining assets, which we will sell to optimise value for investors from a market and an asset business plan perspective.

We continue to actively manage all other assets to enhance their value and saleability. These activities include rent reviews, lease renewals, letting activity refurbishments and construction projects, as we seek to maximise returns for investors.

We propose to have completed the sales within a maximum of two years from the date of closure. By giving ourselves a two-year period in which to undertake the sales process we can maintain a disciplined approach to asset disposals and mitigate the risk of purchasers seeking to take advantage of a perceived requirement to conclude rapid sales.

At present, we have one asset under offer for sale and six assets in the market for sale. The remaining eight assets will be put into the market for sale over the second half of 2022.

Some assets are still subject to asset management initiatives and will be sold on completion of these initiatives to optimise value, and the Funds have retained sufficient capital to finance these commitments.

**Q8. Have you considered a sale of the entire portfolio?**

Yes. We continue to review the method and timing of sales for the remaining assets with investment agents to ensure we achieve the best value for investors. This includes reviewing individual sales, sector or theme-portfolio sales, as well as a whole portfolio sale. We are currently pursuing individual sales following advice, but we will continually monitor this with our agents.

**Q9. Will the portfolio be diversified by sector over the closure period?**

We will not seek to maintain a balanced portfolio during the sales process. Our aim is to optimise sales proceeds rather than track benchmark weightings or the previous structure of the Funds.

Asset sales will be carried out when business plan initiatives are completed or when market conditions are favourable. We monitor the recovery of each of the property sectors, which have been hit differently by the lockdowns. Retail and leisure sectors were some of the hardest hit sectors, but we are now starting to see some investor activity, albeit, it is still a thin market.

**Q10. Will there still be an Annual Management Charge (AMC) and if so, how much?**

We reduced our annual management charge when the Funds suspended, something which only a few other property funds did. We propose that the reduced fee of 0.60% per annum will remain during the closure period.

We will only earn fees on the proportion of assets remaining in the Funds (which will include a cash balance to meet fund liabilities during the closure process). These fund liabilities include expenditure relative to actively managing the remaining assets to enhance their value and saleability, including rent reviews, lease renewals, letting activity, refurbishments and construction projects. We believe this approach will balance achieving a speedy sale of assets with maximising returns for investors.

**Q11. Will the Funds absorb the closure costs and can you advise what these costs might be?**

Yes, the Funds will bear the closure costs and these will be disclosed in the Annual Report & Accounts.

**Q12. Do you expect any upside in property valuations and could this have an impact on timing around decisions to sell certain properties?**

The UK commercial property market is being impacted by current world events, as all markets are, and this is hitting some sectors more than others. There are still some challenges in retail, leisure and some secondary office locations.

As mentioned above, a number of the remaining assets within the portfolio are currently being marketed for sale, however, some still require active management in order to enhance their value and saleability.

**Q13. What are you doing to return money to investors as soon as possible?**

We will continue to sell assets as quickly as is practicable and in an orderly manner to maximise value and return money to investors.

**Q14. How will you continue to manage the Funds following the closures and up to the point at which all assets have been sold?**

We continue to actively manage all other assets to enhance their value and saleability. These activities include rent reviews, lease renewals, letting activity refurbishments and construction projects, as we seek to maximise returns for investors.

We will aim to maximise the level of income generated by the assets, while looking to achieve best prices for property sales during the closure period.

**Q15. Will my regular savings contributions continue over the suspension / closure period?**

No. The Funds are closed.

**Q16. Will prices still be available for the Funds?**

Yes. Prices will continue to be published on the fund page of the website at [www.aegonam.com/paif](http://www.aegonam.com/paif).

**Q17. Will the Funds continue to distribute income?**

Yes. For income shareholders there is no change to the process. However, as the number of properties decrease the rental income generated will fall. Property expenses will on occasion fluctuate and may use up all of the income available for distribution. You can find up-to-date yield data on the fund factsheet on our website at [www.aegonam.com/paif](http://www.aegonam.com/paif).

**Q18. Will income still get reinvested?**

No, income will be paid out as part of any income distribution

**Q19. Will you still publish report and accounts?**

Yes. We intend to continue to publish the Annual Report & Accounts and this will be made available on the website at [www.aegonam.com/paif](http://www.aegonam.com/paif). The most recent version was issued on 30 September 2021.

**Q20. Will I still receive statements?**

Statements will continue to be issued in the usual way. If you require an updated statement please contact us on email at [aegonam@ntrs.com](mailto:aegonam@ntrs.com) or by telephone on 0800 358 3009.

**Q21. I am invested through a fund platform how and when will any capital distributions be made to me?**

Capital distributions for fund platform clients will be distributed directly to the fund platform on the date of the capital distribution. The fund platform will then require to distribute this on to underlying fund platform investors in accordance with their terms and conditions. This additional step may slightly delay receipt of the capital distribution to fund platform investors. Fund platform investors should contact the fund platform if there is any issue regarding receipt of the capital distribution.

**Q22. How will you keep me informed and where can I find information?**

We will keep you informed through regular updates on our website at [www.aegonam.com/paif](http://www.aegonam.com/paif) and

- Through your normal Aegon Asset Management contact.
- You can also contact our Wholesale Client Management Team via email at [wholesaleclientmanagement@aegonam.com](mailto:wholesaleclientmanagement@aegonam.com) if you have any questions or concerns.
- Alternatively, you can talk to your financial adviser or third-party provider.

**Q23. Are other funds managed by Aegon Asset Management affected by this closure?**

No.

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## Important information

This document is accurate at the time of writing and is subject to change without notification.

Aegon Asset Management UK plc is authorised and regulated by the Financial Conduct Authority. Aegon Asset Management UK plc is the Authorised Corporate Director of the Aegon Property Income Fund and the Authorised Fund Manager of the Aegon Property Income Feeder funds.

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