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AEW REAL ESTATE INCOME FUND

Form N-Q

December 22, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM N-Q  
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21206

AEW Real Estate Income Fund

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(Exact name of registrant as specified in charter)

399 Boylston Street, Boston, Massachusetts 02116

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(Address of principal executive offices) (Zip code)

Coleen Downs Dinneen, Esq.

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IXIS Asset Management Distributors, L.P.  
399 Boylston Street  
Boston, Massachusetts 02116  
(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 449-2810

Date of fiscal year end: January 31, 2004

Date of reporting period: October 31, 2004

ITEM I SCHEDULE OF INVESTMENTS  
INVESTMENTS AS OF OCTOBER 31, 2004 -- (UNAUDITED)

Shares	Description
	-----
	Common Stocks -- 95.9% of Total Net Assets
	REAL ESTATE -- 1.4%
	Apartment -- 1.4%
41,500	Municipal Mortgage & Equity LLC
	REAL ESTATE INVESTMENT TRUSTS -- 94.5%
	REITs - Apartments -- 12.4%
44,000	Archstone Smith Trust
65,000	Camden Property Trust

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78,500	Gables Residential Trust
40,000	Mid-America Apartment Communities, Inc.
27,000	Summit Properties, Inc.
	REITS - DIVERSIFIED -- 6.4%
83,500	iStar Financial, Inc.
70,000	Lexington Corporate Properties Trust
	REITS - FACTORY OUTLETS -- 1.2%
20,000	Tanger Factory Outlet Centers, Inc.
	REITS - HEALTHCARE -- 15.2%
65,000	Health Care Property Investors, Inc.
121,000	Healthcare Realty Trust, Inc.
15,000	Omega Healthcare Investors, Inc.
100,000	Provident Senior Living Trust, 144A
190,500	Senior Housing Properties Trust
	REITS - INDUSTRIAL -- 6.3%
25,000	EastGroup Properties, Inc.
62,400	First Potomac Realty Trust
68,100	Liberty Property Trust
	REITS - LODGING/RESORTS -- 4.1%
55,000	Eagle Hospitality Properties Trust, Inc.
63,000	Hospitality Properties Trust
	REITS - OFFICE -- 27.3%
77,000	Arden Realty, Inc.
65,000	CarrAmerica Realty Corp.
77,000	Glenborough Realty Trust, Inc.
90,000	Highwoods Properties, Inc.
311,300	HRPT Properties Trust
70,000	Kilroy Realty Corp.
68,000	Mack-Cali Realty Corp.
30,000	Maguire Properties, Inc.
76,500	Prentiss Properties Trust
	REITS - REGIONAL MALLS -- 6.7%
150,000	Borealis Retail REIT
62,000	Glimcher Realty Trust
35,000	Macerich Co. (The)
	REITS - SHOPPING CENTERS -- 12.9%
125,000	Cedar Shopping Centers, Inc.
100,000	Commercial Net Lease Realty, Inc.
30,000	Equity One, Inc.

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94,000	Heritage Property Investment Trust
39,000	Inland Real Estate Corp.
30,000	New Plan Excel Realty Trust
39,000	Ramco-Gershenson Properties Trust
11,200	Realty Income Corp.

	REITS - SPECIALTY -- 2.0%
24,500	Correctional Properties Trust
22,000	Entertainment Properties Trust

Total Real Estate Investment Trusts - Common Stocks

Total Common Stocks (Identified Cost \$53,146,426)

Preferred Stocks -- 39.2%

	REAL ESTATE INVESTMENT TRUSTS -- 39.2%
	REITs - Apartments -- 4.1%
50,000	Apartment Investment & Management Co., Series G
29,400	Apartment Investment & Management Co., Series R
42,000	Apartment Investment & Management Co., Series U

	REITS - DIVERSIFIED -- 3.6%
50,000	Colonial Properties Trust, Series D
54,800	Crescent Real Estate Equities Co., Series B

	REITS - FACTORY OUTLETS -- 2.1%
35,500	Mills Corp. (The), Series B
25,000	Mills Corp. (The), Series E

	REITS - HEALTHCARE -- 3.8%
50,000	Health Care Property Investors, Inc., Class F
65,400	Omega Healthcare Investors, Inc., Series D

	REITS - LODGING/RESORTS -- 6.6%
75,000	Boykin Lodging Co., Series A
25,000	FelCor Lodging Trust, Inc., Series B
71,900	Hospitality Properties Trust, Series B
15,000	LaSalle Hotel Properties, Series A

	REITS - OFFICE -- 8.4%
30,000	Bedford Property Investors, Inc., Series A, 144A

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100,000 CarrAmerica Realty Corp., Series E  
 90,400 HRPT Properties Trust, Series B

REITS - REGIONAL MALLS -- 2.5%  
 75,000 Glimcher Realty Trust, Series F

REITS - SHOPPING CENTERS -- 8.1%  
 27,000 Cedar Shopping Centers, Inc., Series A  
 42,200 Developers Diversified Realty Corp., Series F  
 21,300 Developers Diversified Realty Corp., Series G  
 13,000 Federal Realty Investment Trust, Series B  
 12,500 Ramco-Gershenson Properties Trust, Series B  
 9,000 Realty Income Corp., Series D  
 27,000 Urstadt Biddle Properties, Inc., Series C

Total Real Estate Investment Trusts - Preferred Stocks

Total Preferred Stocks (Identified Cost \$28,985,994)

Principal  
 Amount

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 Short Term Investment -- 0.1%

\$ 68,040 Repurchase Agreement with Investors Bank & Trust Co. dated 10/29/2004 at 1.27% to be repurchase\$ at 68,0407 on 11/01/2004, collateralized by \$70,007 Federal National Mortgage Association Bond, 4.446% due 1/01/2033 valued at \$71,442

Total Short Term Investment (Identified Cost \$68,040)

Total Investments -- 135.2% (Identified Cost \$82,200,460) (c)  
 Auction Market Preferred Shares plus cumulative  
 unpaid dividends (35.8%)  
 Other assets less liabilities -- 0.6%

Total Net Assets -- 100%

(a) Security Valuation. Equity securities for which market quotations are readily available of Trustees. Fair market price on the basis of valuations furnished to the Fund by a pricing service, which has been authorized by the Trustees. The pricing service provides the last reported sale price for securities listed on an applicable securities exchange or on the NASDAQ national market system, or, if no sale was reported and in the case of over-the-counter securities not so listed, the last reported bid price. Securities traded on the NASDAQ National Market are valued at the NASDAQ Official Closing Price ("NOCP"), or if lacking an NOCP, at the most recent

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bid quotation on the NASDAQ National Market. Short-term obligations with a remaining maturity of less than sixty days are stated at amortized cost, which approximates market value. All other securities and assets are valued at their fair value as determined in good faith by the Fund's investment adviser pursuant to procedures approved by the Board of Trustees.

The Fund may hold securities traded in foreign markets. Foreign securities are valued at the market price in the foreign market. However, if events occurring after the close of the foreign market (but before the close of regular trading on the New York Stock Exchange) are believed to materially affect the value of those securities, such securities are fair valued pursuant to procedures approved by the Fund's Board of Trustees.

(b) Non-income producing security.

(c) Federal Tax Information:

At October 31, 2004, the net unrealized appreciation on investments based on cost of \$83,008,803 for federal income tax purposes was as follows:  
Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost  
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value

Net unrealized appreciation

### REITs Real Estate Investment Trusts

144A Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registrations, normally to qualified institutional buyers. At the period end, the value of these securities amounted to \$3,011,250 or 3.8% of net assets.

### ITEM 2. CONTROLS AND PROCEDURES.

The Trust's principal executive officer and principal financial officer have concluded that the Trust's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Trust in this Form N-Q was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report. There were no significant changes or corrective actions with regard to significant deficiencies or material weaknesses in the Trust's internal controls or in other factors that could significantly affect the Trust's internal controls subsequent to the date of their evaluation.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AEW Real Estate Income Fund

By: /S/ JOHN T. HAILER  
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Name: John T. Hailer  
Title: President and Chief Executive Officer  
Date: December 20, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

AEW Real Estate Income Fund

By: /S/ JOHN T. HAILER  
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Name: John T. Hailer  
Title: President and Chief Executive Officer  
Date: December 20, 2004

By: /S/ MICHAEL KARDOK  
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Name: Michael Kardok  
Title: Treasurer  
Date: December 21, 2004

ITEM 3. EXHIBITS

(a)(1) Certification for the principal executive officer as required by Rule 30a-2(a) of the Investment Company Act of 1940, as amended (the "Act") filed herewith.

(a)(2) Certification for the principal financial officer as required by Rule 30a-2(a) of the Investment Company Act of 1940, as amended (the "Act") filed herewith.

Exhibit (a)(1)

AEW REAL ESTATE INCOME FUND  
EXHIBIT TO SEC FORM N-Q  
SECTION 302 CERTIFICATIONS

I, John T. Hailer, certify that:

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1. I have reviewed this report on Form N-Q of AEW Real Estate Income Fund;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the schedules of investments included in this report fairly present in all materials respects the investments of the registrant as of the end of the fiscal quarter for which the report is filed;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. [Reserved]
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing of this report, based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 21, 2004

/S/ JOHN T. HAILER

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John T. Hailer  
President & Chief Executive Officer

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Exhibit (a)(2)

AEW REAL ESTATE INCOME FUND  
EXHIBIT TO SEC FORM N-Q  
SECTION 302 CERTIFICATIONS

I, Michael Kardok, certify that:

1. I have reviewed this report on Form N-Q of AEW Real Estate Income Fund;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the schedules of investments included in this report fairly present in all materials respects the investments of the registrant as of the end of the fiscal quarter for which the report is filed;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. [Reserved]
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing of this report, based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 21, 2004

/S/ MICHAEL KARDOK



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Michael Kardok  
Treasurer  
AEW Real Estate Income Fund