

AEW REAL ESTATE INCOME FUND
Form SC 13G
March 27, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

AEW Real Estate Income Fund

(Name of Issuer)

Common Shares, \$0.00001 par value per share

(Title of Class of Securities)

00104H107

(CUSIP Number)

March 21, 2007

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

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* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page. The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 00104H107

1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

QVT Financial LP

11-3694008

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a)
- (b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

Number of 5. Sole Voting Power

Shares 0

6. Shared Voting Power

Beneficially 198,500 shares

Owned by 7. Sole Dispositive Power

Each 0

8. Shared Dispositive Power

Reporting 198,500 shares

Person

With:

9. Aggregate Amount Beneficially Owned by Each Reporting Person

198,500 shares

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

5.18%

12. Type of Reporting Person (See Instructions)

PN

CUSIP No. 00104H107

1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

QVT Financial GP LLC

11-3694007

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a)
- (b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

Number of 5. Sole Voting Power

Shares 0

6. Shared Voting Power

Beneficially 198,500 shares

Owned by 7. Sole Dispositive Power

Each 0

8. Shared Dispositive Power

Reporting 198,500 shares

Person

With:

9. Aggregate Amount Beneficially Owned by Each Reporting Person

198,500 shares

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

5.18%

12. Type of Reporting Person (See Instructions)

OO

Item 1(a). Name of Issuer

AEW Real Estate Income Fund (the Issuer)

Item 1(b). Address of Issuer's Principal Executive Offices

The address of the Issuer's principal executive offices is:

399 Boylston Street, Boston, Massachusetts 02116, United States

Item 2(a). Name of Person Filing

Item 2(b). Address of Principal Business Office or, if none, Residence

Item 2(c). Citizenship

QVT Financial LP

1177 Avenue of the Americas, 9th Floor

New York, New York 10036

Delaware Limited Partnership

QVT Financial GP LLC

1177 Avenue of the Americas, 9th Floor

New York, New York 10036

Delaware Limited Liability Company

Item 2(d). Title of Class of Securities

Common Shares, \$0.00001 par value (the Common Shares).

Item 2(e). CUSIP Number

The CUSIP number of the Common Stock is 00104H107.

Item 3. If this statement is filed pursuant to §§ 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:

- (a) " Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b) " Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c) " Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d) " Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e) " An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);
- (f) " An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);
- (g) " A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);
- (h) " A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) " A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) " Group, in accordance with § 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership.

(a) Amount beneficially owned:

QVT Financial LP (QVT Financial) is the investment manager for QVT Fund LP (the Fund), which beneficially owns 179,502 Common Shares. QVT Financial is also the investment manager for a separate discretionary account managed for Deutsche Bank AG (the Separate Account), which holds 18,998 Common Shares. QVT Financial has the power to direct the vote and disposition of the Common Shares held by the Fund and the Separate Account. Accordingly, QVT Financial may be deemed to be the beneficial owner of an aggregate amount of 198,500 Common Shares, consisting of the shares owned by the Fund and the shares held in the Separate Account.

The reported share amounts for each reporting person reflect amounts held as of March 21, 2007, as adjusted for subsequent purchases and sales through the date hereof.

QVT Financial GP LLC, as General Partner of QVT Financial, may be deemed to beneficially own the same number of Common Shares reported by QVT Financial.

Each of QVT Financial and QVT Financial GP LLC disclaim beneficial ownership of the Common Shares owned by the Fund and the Common Shares held in the Separate Account.

(b) Percent of class:

See Item 11 of the Cover Pages to this Schedule 13G.

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote

0

(ii) Shared power to vote or to direct the vote

See item (a) above.

(iii) Sole power to dispose or to direct the disposition of

0

(iv) Shared power to dispose or to direct the disposition of

See item (a) above.

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following "...".

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not Applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company

Not Applicable

Item 8. Identification and Classification of Members of the Group

Not Applicable

Item 9. Notice of Dissolution of Group

Not Applicable

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: March 27, 2007

QVT FINANCIAL LP

By QVT Financial GP LLC,

its General Partner

By: /s/ Daniel Gold
Name: Daniel Gold
Title: Managing Member

By: /s/ Lars Bader
Name: Lars Bader
Title: Managing Member
QVT FINANCIAL GP LLC

By: /s/ Daniel Gold
Name: Daniel Gold
Title: Managing Member

By: /s/ Lars Bader
Name: Lars Bader
Title: Managing Member

EXHIBIT A

JOINT FILING AGREEMENT

The undersigned hereby agree that the statement on Schedule 13G signed by each of the undersigned shall be filed on behalf of each of the undersigned pursuant to and in accordance with the provisions of Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended.

Dated: March 27, 2007

QVT FINANCIAL LP

By QVT Financial GP LLC,

its General Partner

By: /s/ Daniel Gold
Name: Daniel Gold
Title: Managing Member

By: /s/ Lars Bader
Name: Lars Bader
Title: Managing Member
QVT FINANCIAL GP LLC

By: /s/ Daniel Gold
Name: Daniel Gold
Title: Managing Member

By: /s/ Lars Bader
Name: Lars Bader
Title: Managing Member