abrdn European Logistics Income plc

Capturing long-term income potential from logistics real estate in Europe

Performance Data and Analytics for Quarter 1, 2022

Investment objective

To aim to provide a regular and attractive level of income return together with the potential for long term income and capital growth from investing in high quality European logistics real estate.

Strategy

To deliver the investment objective through investment in, and active asset management of, a diversified portfolio of logistics real estate assets in Europe.

Cumulative performance (%)

	31/03/22	3 months	1 year
Share Price (GBp)	110p	(4.8)	5.8
NAV (Eur)[A]	131.6c	3.0	13.0
NAV (Converted to GBp)[A]	111.3p	3.7	12.1

Discrete performance (%)

	31/03/22	31/03/21	31/03/20	31/03/19	31/03/18
Share Price (GBp)	5.8	24.8	(0.9)	(4.7)	-
NAV (Eur)[A]	13.0	13.1	12.2	(1.7)	-
NAV (Converted to GBp)[A]	12.1	8.9	15.2	(3.4)	-

The Company launched on 15 December 2017, therefore discrete performance figures are not available for full years prior to 2018.
Share price total return is on a mid-to-mid basis.
Dividend calculations are to reinvest as at the ex-dividend date.
Source: Aberdeen Asset Managers Limited, Lipper and Morningstar.
Past performance is not a guide to future results.

Fund managers' report

Highlights

- Portfolio valuation increased by 2.5%, or €16.8 million to €682.8 million, reflecting inflation-linked rental growth and further yield compression
- NAV per Ordinary share increased by 1.9% to 131.6c (GBp – 111.3p) (31 December 2021: 129.1c (GBp – 108.5p)), reflecting a NAV total return of 13.0% (in Euro terms) for the 12 months to 31 March 2022
- EPRA Net Tangible Assets2 increased by 2.2% to 139.4c per Ordinary share (31 December 2021: 136.4c)
- 100% of Q1 2022 rent collected
- First interim dividend for 2022 of 1.41c (GBp – 1.19p) declared, payable on 24 June 2022
- Construction of Madrid Phase IV scheduled to complete in late Q2 2022, increasing portfolio valuation to €763 million, using agreed purchase price
- Agreement signed for the purchase of three French urban logistics assets, for €32.5 million, on completion of which the portfolio will comprise 16 urban logistics warehouses and 11 mid-box logistics warehouses
- Issue of new equity raising £38 million (€45.6 million) to support near-term acquisition strategy

[A] Total return; NAV to NAV, net income reinvested.
[B] 0.75% per annum of net assets up to €1.25bn and 0.60% thereafter.
[C] Calculated using the company's historic net dividends and quarter end share price.

Asset allocation (%)

Direct Property	93.0
Cash & Cash Equivalents	7.0
Total	**100.0**

Total number of investments 23

Key information Calendar

Year end	31 December
Accounts published	April, September
Distributions	March, June, September, December
Launch date	December 2017
Fund manager	Direct Property Team
Annual management fee[B]	0.75%
Yield[C]	4.4%
Premium/(Discount)	(1.2)%
Gearing	21.5%
Net Asset Value	€542.2m

AIFMD Leverage Limits

Gross Notional	3.65x
Commitment	1.85x

Capital structure

Ordinary shares	412,174,356

Allocation of management fees and finance costs

Revenue	100%
Capital	0%

Trading details

Bloomberg code	ASLI LN
ISIN code	GB00BD9PXH49
Sedol code	BD9PXH4
Stockbroker	Investec
Market makers	CFEP INV. JEFF JPMS NUMS PEEL WINS

All sources (unless indicated): abrdn: 31 March 2022.

Fund managers' report - continued

Performance

The unaudited portfolio valuation increased by €16.8 million, or 2.5%, (on a like-for-like basis). Yield compression and high demand for logistics warehousing continues to drive valuations.

For the 12 month period to 31 March 2022, the share price total return (with dividends reinvested) was 5.8% with the Company's net asset value total return over the same period 13.0% in Euro terms (12.1% in sterling terms). As at 31 March, the Company's share price stood at 110p.

Equity cash raise

The Company announced on 4 February 2022 it had issued a further 34,545,455 new Ordinary shares at a price of 110.0 pence per new share pursuant to a placing and retail offer. This issue raised an additional £38 million (€45.6 million) enabling the Company to continue with its near-term acquisition strategy.

Madrid Last-mile Portfolio Acquisition

The acquisition of phases I-III completed in December 2021. Phase IV, let to Amazon on a 25 year lease, is close to final sign off and handover.

The portfolio is let to five tenants, with Amazon Europe ("Amazon") accounting for 43% of the total rental income. Global food retailer Carrefour, UK electric delivery vehicle maker Arrival and Spanish companies Talentum and MCR comprise the remaining tenants. On completion of Phase IV, Amazon is expected to become aSLI's largest tenant by rental income.

Phase II, Building 3 was acquired vacant, with the benefit of a 12 month rental guarantee which was deducted from the purchase price. The company is currently negotiating terms with an established Spanish logistics company on a 5 year lease on terms expected to be marginally ahead of the original underwriting assumptions.

The Madrid Portfolio occupies a strategic micro location, at the intersection of Madrid's ring road, the M-50 motorway, and A-4 motorway, Spain's main north-south motorway, with occupiers benefiting from direct access via a newly constructed dual carriageway. The Madrid Portfolio is in close proximity to Madrid-Barajas International Airport and the Abroñigal intermodal freight terminal, providing good connectivity with the rest of Europe.

Pipeline

In May, the company signed the SPA for the purchase of a portfolio of three last-mile units let to a European 3PL, for €32.5 million. Completion is expected in July and September. The Investment Manager remains in exclusivity on a further asset in the Netherlands let to a well established food-focused operator.

Debt Financing

In November 2021, the Company signed a revised revolving credit facility agreement with Investec Bank, increasing the facility's capacity to €70 million, providing further flexibility for the acquisition of new properties. As at 31 March 2022, the Company level loan to value ("LTV") ratio was 21.5%.

Market outlook

On 24 February 2022, Russia started its invasion of Ukraine. The initial impact of the conflict has materialised broadly as expected within the real estate sector.

The immediate, direct impact to the asset class was insignificant, given the relatively minor role played by Russian capital within the commercial real estate sector.

Subsequent effects are also materialising as expected, such as inflationary pressures triggering a response from central banks. Capital markets remain buoyant, especially for the favoured areas of the market such as logistics. However, the cost of capital is a key feature of real estate and this cost is increasing because of actual or expected increases in central bank policies. Assets with additional risk are becoming more expensive in terms of borrowing, along with lower loan-to-value levels. This is exacerbating the prime versus secondary dynamic further as investors try to secure better-quality buildings on less favourable lending terms.

Inflationary pressures are also feeding through into construction costs, materials, energy and wages.

Fund managers' report continues overleaf

Fund managers' report - continued

These pressures could lead to less construction as costs rise, thus making development projects less viable from a return perspective. This should contain supply in markets already benefiting from an imbalance.

These trends were already in motion before the conflict began but they have potentially been accelerated, as a result. That said, these developments have not led to significant changes in our real estate view.

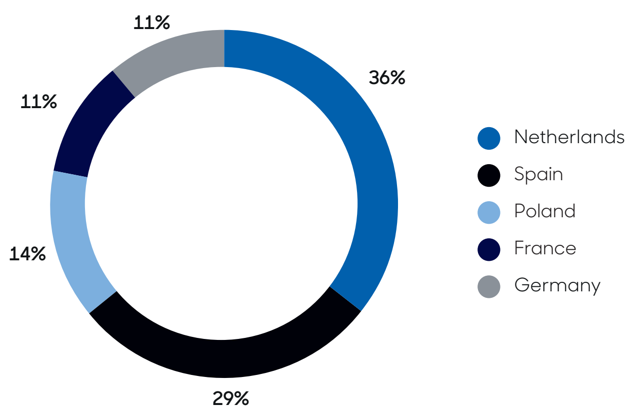
In our view, a reduction in the high levels of economic growth and higher inflation expectations will trim the reasonable returns expected from European real estate. While this is true at the headline level, logistics assets remain favourable.

Even with the potential problems this conflict could create, supply for these assets is constrained in many markets and build-cost inflation would limit further development. However, this sector is also most exposed to supply chain disruptions and we will monitor this closely.

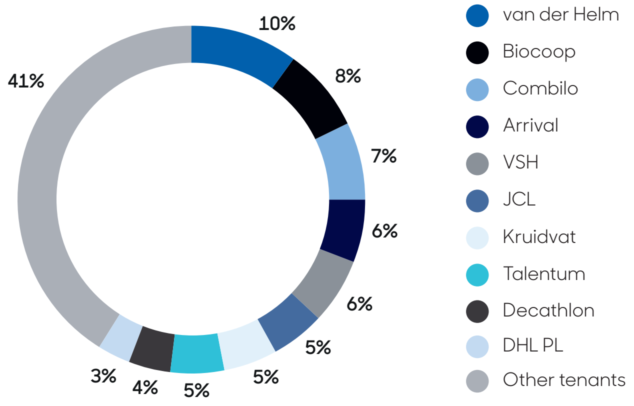
Despite the conflict, real estate may be seen as a 'safe haven' in the short term. Occupier markets remain relatively robust and there is an absence of oversupply in the market. We continue to see the logistics market benefit from thematic structural drivers such as rising online spending.

The European logistics market has gone from strength to strength. The strong demand drivers established prior to the pandemic have been accelerated through enforced changes to the way we shop. Market fundamentals remain very supportive and the European markets are driven by low vacancy rates and an increasing logistics take-up. According to BNP, take-up for warehouses over 5,000 sqm increased by 30% year on year. While demand was already outstripping supply over the last few years, the current construction-cost inflation and land costs in major logistics agglomerations will make new developments even more cost-intensive in the future. We expect this to drive rents for both new and standing assets. One note of caution is that core logistics pricing is responding rapidly to these strong fundamentals and aggressive bidding on core stock is pushing yields lower. At the same time, financing options are becoming more and more challenging, with a strong rise in swap rates.

Country allocation (% of portfolio value)



Tenant exposure (% of total rent)



Important information

Risk factors you should consider prior to investing:

- The value of investments and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment companies can borrow money in order to enhance investment returns. This is known as 'gearing' or 'leverage'.
- However, the use of gearing can result in share prices being more volatile and subject to sudden or large falls in value. Where permitted an investment company may invest in other investment companies that utilise gearing which will exaggerate market movements, both up and down.
- There is no guarantee that the market price of the Company's shares will fully reflect its underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- Investing globally can bring additional returns and diversify risk. However, currency exchange rate fluctuations may have a positive or negative impact on the value of your investment.
- The Company may hold a limited number of investments. If one of these investments declines in value this can have a greater impact on the fund's value than if it held a larger number of investments.
- Property values are a matter of the valuers' opinions and can go up and down. There is no guarantee that property values, or rental income from them, will increase so you may not get back the full amount invested.
- Property investments are relatively illiquid compared to bonds and equities and can take a significant length of time to sell and buy.
- The Company invests in a specialist sector and it will not perform in line with funds that have a broader investment policy.
- Derivatives may be used, subject to restrictions set out for the Company, for efficient portfolio management in order to manage risk. The market in derivatives can be volatile and there is a higher than average risk of loss.

Other important information:

Contact

Private investors
0808 500 0040

Institutional investors
InvestmentTrustInvestorRelations-UK@abrdn.com
+44 (0)20 7463 5971

For more information visit invtrusts.co.uk