abrdn Pan European Residential Property Fund

February 2023

A core fund investing in sustainable residential property across Western Europe.

Investment objective and strategy

The abrdn Pan European Residential Property Fund SICAV-RAIF (aPER) is an open-ended, core fund designed for institutional investors which aims to deliver income and capital growth by investing in large, high quality, sustainably constructed, purpose built residential blocks in "triple A" locations (that provide Accessibility, Amenity and Affordability for the occupier).

aPER pursues a strategy that has ESG principles at its core, and which is focused on achieving strong, defensive returns from the western European residential sector, with a multi-country approach that reduces risk through diversification. Residential property exhibits very strong demand/supply fundamentals, particularly in Europe's leading cities. In these 'winning cities' there is significant growth potential achievable via improved operational efficiency, and by tapping into increasing demand in the rental market.

aPER seeks to invest in new and modern stock, and pursues active management during holding periods in order to enhance performance in a controlled fashion, but does not engage in speculative property development. The fund has a long-term absolute return target, comprising a net cash dividend return of 3-4% per year, and a total return of 5-7% per year.

Fund commentary

aPER is managed by a highly experienced team located across three European countries, and is led by Marc Pamin who is based in Frankfurt. The team can call upon the wider resources of abrdn, one of Europe's largest real estate investment managers.

Investors

As at the end of December 2022, total capital commitments stood at €1.5 billion from 32 investors located in the Netherlands, Germany, Switzerland, Ireland, France, Italy, South Korea, Luxembourg, UK and Japan. Since launching the fund, we have been effective and efficient in securing assets and allocating committed capital. With a strong investment pipeline, we believe that aPER is well placed to continue to lead the pan-European residential market.

Transactions

The fund now has 49 assets in 10 countries. There are over 6,300 residential units, with a value at completion of €1.8bn as at December 2022. There is a pipeline of €200m.

Portfolio management

Local management expertise and resources are among our key strengths in Europe. Having native speakers on the ground, with local expertise and networks, is essential for maximising portfolio returns and optimising risk control. Throughout 2023 the aPER team shall be focused on maintaining high (close to 100%) occupancy rates; managing and further reducing tenant turnover; assuming responsibility for newly completed projects and commencing securing tenants for them; as well as further improving the overall ESGcredentials of the portfolio.

Key information

Legal structure	SICAV-RAIF
Domicile	Luxembourg
Risk style	Core
Launch	29 March 2018
Term	Open-ended, infinite
Investors	32 investors
Geographic universe	Western Europe
Sector universe	Residential real estate
Target size (GAV)	EUR >2.5 billion
Current size (GAV)	EUR 1.6bn[1]
Current size (NAV)[2]	EUR 1.3bn[1]
Minimum commitment	EUR 3 million
Current total commitments	EUR 1.5bn
Current investor queue	EUR 246m
Target return	Income return: 3-4% p.a. Total return: 5-7% p.a.
Currency	EUR
Leverage	Maximum LTV of 40% of GAV; Current 13.0%; Long-term LTV of 25% of GAV

[1] December 2022.
[2] INREV NAV.
All figures are as at 31 December 2022.

The value of investments and the income from them can go down as well as up and an investor may get back less that the amount invested.

For further information please contact:

John Danes
Phone: +447795331903
Email: john.danes@abrdn.com

abrdn Pan European Residential Property Fund

February 2023

Market outlook commentary

Since last quarter, the negative pressures on European real estate have shown signs of moderating. We believe 2023 will be a pivotal year for performance. Now that we are approaching what many economists expect to be the peak in policy rates for this economic cycle, we believe we are closer to the end than to the start of the revaluation phase of the downturn. Headline inflation looks to have peaked and fixed income yields have begun to fall too. This offers some tentative signs that the squeeze on real estate's relative value might improve from here.

Although cyclical drivers of real estate performance remain uncertain, we are of the view that the longer term fundamental drivers behind residential real estate performance remain intact. Major cities in Europe continue to face a long-standing under-supply situation, which in some markets is described as severely as a 'housing crisis'. We expect this under-supply to support modest and sustainable rental growth at levels in line with or slightly in excess of target inflation.
This resilience is recognized by investors in general, and we have seen the transaction market for good quality residential assets in Europe holding up very well over the last few months, both in terms of activity and pricing.

Affordable living is high on the agenda of politicians across Europe, and we have seen various initiatives to facilitate more affordable accommodation through rental regulation. Generally speaking, residential rent regulation is not wholly negative for long-term oriented institutional investors, as it can help to clarify legal liabilities, providing greater certainty which can lead to stable tenures and therefore steady cash flows. However, sudden changes to the legislation may create volatility and short-term value losses, and we continue to follow any discussions on rent regulation in Europe closely.

We continue to focus on newer, modern, and flexible assets in central locations and desirable areas within touching distance of major business and cultural hubs.
We monitor development levels, which have picked up in some markets, as higher levels of completions may have short-term effects on turnover, void rates and rental levels. Some of Europe's major cities have seen development levels match the growth rate in demand, but only following decades of under-supply. It should be noted that a lot of the new stock delivered has been in the more upmarket owner-occupier housing segment, rather than in the affordable units for rental space. We also expect the peak in this housing development activity to moderate, especially as a result of the challenges introduced by the pandemic.

Investor sentiment for residential is at all-time highs, and the relative attractiveness of this sector over more cyclical ones is further strengthened in light of the current market volatility. According to our latest European House View, compared to all other investable sectors, the residential sector will offer the highest Estimated Rental Value growth and total returns. We forecast residential total returns of 6.0% p.a. over the next five years for the sector in aggregate, but with a certain level of variation between markets and of course assets. As initial yields are at a relatively low level compared to historic trends, the ability to manage the assets in a cost efficient manner is crucial in order to support a strong net cash flow to investors.

Key information continued

Liquidity	Quarterly (3 year lock in with a max. 2 years for repayment)
NAV reporting frequency	Quarterly
External asset valuation	Quarterly; Valuation advisors rotated every 3 years

Annual management fee
Tranched fund management fee structure:

90bps on NAV for committed capital ≤ EUR 25m (tiered)

80bps on NAV for committed capital EUR 25-50m (tiered)

70bps on NAV for committed capital EUR 50-75m (tiered)

75bps on NAV for committed capital EUR 75-100m (flat)

70bps on NAV for committed capital EUR 100-150m (flat)

65bps on NAV for committed capital EUR 150-250m (flat)

57.5bps on NAV for committed capital ≥ EUR 250 (flat)

All figures are as at 31 December 2022.

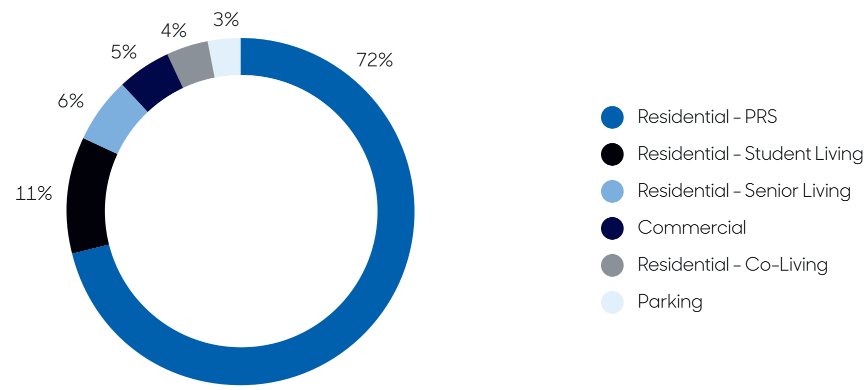
Investment universe

Important information overleaf

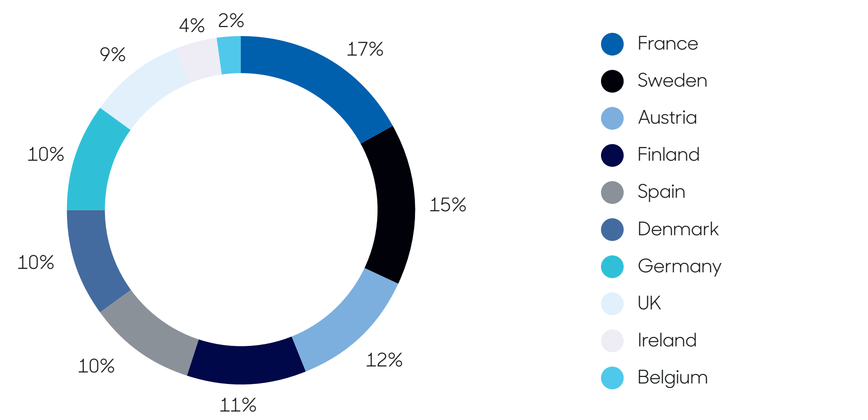
abrdn Pan European Residential Property Fund

February 2023

Sector allocation (assuming completion of projects)



Geographic allocation (assuming completion of projects)



Figures may not always sum to 100% due to rounding.

All figures (unless otherwise indicated) are as at 31 December 2022.

"The longer term fundamental drivers behind residential real state performance remain intact."

Franz Joseph, Bloch-Bauer-Promenade, Vienna.

Important information overleaf

Important information

For professional investors only, in Switzerland for Qualified Investors only – not for use by retail investors or advisers.

Issued by abrdn Investments Luxembourg S.A. Registered in Luxembourg. Registered Office: 35a, avenue John F. Kennedy, L-1855 Luxembourg. Authorised and regulated by the Commission de Surveillance du Secteur Financier in Luxembourg.

Distribution in the European Economic Area:

As at the date of this document, the Fund has been notified, registered or approved (as the case may be and howsoever described) in accordance with the local law/regulations implementing the Alternative Investment Fund Managers Directive (Directive (2011/61/EU)) (the "AIFMD") for marketing to professional investors into the following member states of the EEA (each a "Member State"): Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, and Sweden.

In relation to other Member States, this document may only be distributed and Shares may only be offered or placed in a Member State: (i) at the investor's own initiative; or (ii) to the extent that this document may otherwise be lawfully distributed and the Shares may lawfully be offered or placed in that Member State.

Distribution in the United Kingdom:

The Fund is an alternative investment fund that has been notified for marketing in the UK pursuant to regulation 59 of the Alternative Investment Fund Managers Regulations 2013, as amended by the Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019, as may be amended.

Distribution in Switzerland:

This is an advertising document.

The Fund may only be offered/distributed in Switzerland to qualified investors within the meaning of Article 10 of the Federal Act on Collective Investment Schemes of 23 June 2006, as amended ("CISA"). The Confidential Placement Memorandum, the Limited Partnership Agreement as well as the annual and semi-annual reports of the Fund are available only to Qualified Investors free of charge from the Representative. In respect of the Shares offered/distributed in Switzerland to Qualified Investors, the place of performance is at the registered office of the Swiss Representative. The place of jurisdiction is at the registered office of the Swiss Representative or at the registered office or place of residence of the investor. The country of domicile of the Fund is Luxembourg.

Swiss Representative: FIRST INDEPENDENT FUND SERVICES LTD, Klausstrasse 33, CH-8008 Zurich.

Swiss Paying Agent: NPB Neue Privat Bank AG, Limmatquai 1, CH-8024 Zurich.

Issued in Switzerland by abrdn Investments Switzerland AG.

Registered in Switzerland under company no. CHE-114.943.983. Registered Office: Schweizergasse 14, 8001 Zurich.