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abrdrn Global Real Estate Fund

Quarterly Update – Q4 2023



The abrdrn Global Real Estate Fund quarterly update provides an overview of the market; fund performance, positioning and portfolio changes; and the fund manager's outlook for the months ahead.

abrdrn Global Real Estate Fund, a Sterling denominated unit trust – This fund is managed by abrdrn Fund Managers Limited.

abrdrn Global Real Estate Fund invests in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect when selling your investment. For more information on risks, see the prospectus and key investor information document.

OBJECTIVES AND INVESTMENT POLICY

Investment Objective

To generate income and some growth over the long term (5 years or more) by investing in global commercial property markets.

Performance Target: To generate a return of 5% per annum over rolling three year periods, after charges. The Performance Target is the level of performance that the management team hopes to achieve for the fund. There is however no certainty or promise that they will achieve the Performance Target

The Manager believes this is an appropriate target for the fund based on the investment policy of the fund.

Economic overview

- 2024 starts with a strong consensus around global inflation being under control, US growth moderating into a soft landing, and substantial monetary policy easing almost everywhere starting soon. While something of a moving target, markets still price in an elevated probability of the Fed easing from March.
- But there are both new, and old, inflation risks. As a spillover of the Israel-Hamas conflict, Iran-backed Houthi rebels in Yemen have disrupted shipping through the Red Sea, adding several weeks to Asia-Europe transits, with the potential to push upwards on goods prices.
- Meanwhile, productivity-adjusted wage growth is still running ahead of inflation target consistent rates in many economies. While wage growth has been moderating, central banks are not yet convinced all the work is done cooling inflation.
- We expect global growth to slow by more than consensus. But there will be divergence, as the UK and Eurozone are already in recession-like conditions, while the US is only likely to dip into a contraction later in 2024. There is a clear route to a US soft landing, but on balance we expect waning support from household savings to see the economy enter a mild recession.
- In China, recent data show growth stabilising amid policy easing. However, we forecast 2024 GDP growth to be below target, given the twin headwinds of subdued household confidence and housing market retrenchment.
- Central bank caution may delay the start of easing cycles relative to current market expectations. We expect rate cuts to begin by the middle of 2024. Our lower growth forecasts and assessment that r^* remains low mean we think the eventual trough in policy rates will be lower than both markets and central banks expect.
- A broad EM rate cutting cycle may have to wait until the Fed is lowering interest rates. But come mid-2024, and with inflation cooling, growth slowing below-trend in many EMs, and the high starting point for real rates, many EM central banks should be cutting too.
- The Bank of Japan is a notable exception among the major central banks, as it is likely to tighten policy this year. We expect Year Curve Control and Negative Interest Rates to be removed after the spring Shunto wage round.
- Taiwan, India, Mexico, the US, the EU and the UK all head to the polls. Trump is the marginal favourite to win the US Presidential election, but much will ride on the state of the economy and Trump's legal issues. Taken together, 2024's elections look set to further embed themes of political polarisation, geopolitical uncertainty, and the changing nature of globalisation.



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Fund positioning

Top 10 direct assets	Fund (%)
48/48A, 52/54 and 56 Peck Seah Street	10.2
DC Goossens, Veghel, Doornhoek 3865, Veghel, The Netherlands	9.7
44 Esplanade, Jersey, St Helier, Jersey, JE4 9WU	8.0
WTC Almeda Park Building 4, Barcelona	7.9
11 Amour Street, Milperra, NSW	6.7
432 St Kilda Rd, St Kilda, Melbourne, Victoria	6.3
Galeria Gniezno, Palucka 2, Gniezno, 62210	6.2
3 & 5 Custom House Plaza, IFSC, Dublin 1	5.7
Niu Fury, Munich, Germany	4.7
3-5 John Morphett Place, Erskine Park, NSW 2759	4.0

Figures exc Cash.

Top 10 tenants (Direct only)	Contracted Rent (%)
Ogier	13.5
Goossens	12.6
Revlon	10.0
Citco	7.1
Novum Hotels Sub GmbH	7.0
Jamestrong Packaging Australia Pty Ltd	5.9
Kohler	5.2
Acrow Formwork and Scaffolding	4.3
Coil Steels Group Pty Ltd	3.3
Castorama	2.7

Figures exc Cash.

Fund facts

Fund size	£439.9m
Average lot size	£22.3
Average lease length ¹	6.3 years
Number of direct properties	13
Number of tenancies	88
Distribution yield ²	4.4%
Standing Void ³	11.15%

¹ Average Unexpired lease term (to first break).

² Yields are historic based on the preceding 12 months' distributions as a percentage of the mid market unit/share price at date shown. Yields will vary, do not include any preliminary charges and investors may be subject to tax on distributions. Based on institutional income shareclass, net of fees at 30/09/2023.

³ Void rate excluding development and major refurbishment.

Top 5 listed holdings

	Fund (%)
48/48A, 52/54 and 56 Peck Seah Street	13.5
DC Goossens, Veghel, Doornhoek 3865, Veghel, The Netherlands	12.6
44 Esplanade, Jersey, St Helier, Jersey, JE4 9WU	10.0
WTC Almeda Park Building 4, Barcelona	7.1
11 Amour Street, Milperra, NSW	7.0

Figures exc Cash.

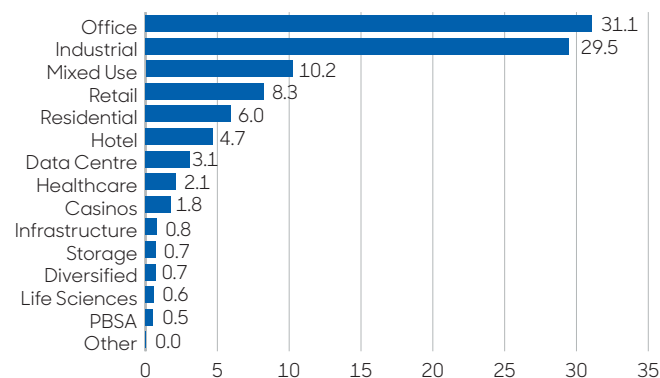
Performance - % growth	3 mths	6 mths	1 yr	3 yrs	5 yrs
abrdrn Global Real Estate Fund	1.81	1.10	-0.55	3.03	2.62
Benchmark ⁴	1.23	2.47	5.00	5.00	4.22

Fund performance is quoted net of Platform 1 fees.

Returns over 1 year are annualised.

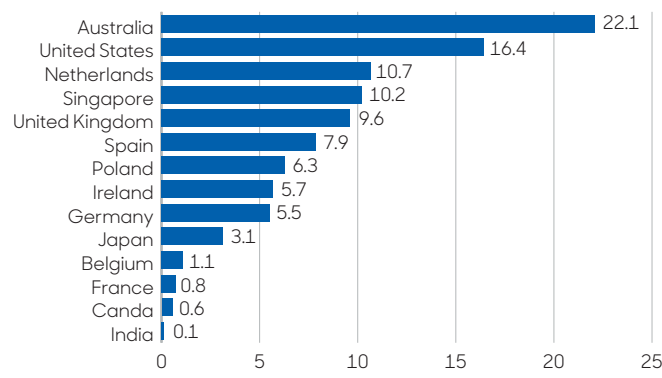
⁴ Benchmark: IPD Direct/MSCI World Real Estate Custom Index to 31/12/19, 0% to 31/12/2020, 5% p.a thereafter.

Sector allocation



⁵ Other includes Life Sciences & Diversified.

Geographical breakdown



⁶ MSCI classify the Channel Islands as part of the UK for benchmarking purposes, this is the reason the asset in Jersey falls under the UK.



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Quarterly Update – Q4 2023



Portfolio update

On the listed side, we trimmed exposure to Segro towards the end of the quarter on concerns over the company's ability to undertake its planned development pipeline, which is a key driver for rental growth. We recycled the proceeds into CTP, the owner and operator of logistics parks in Central and Eastern Europe, which we expect to deliver higher medium-term returns due to its ability to capitalise on the near-shoring trend. We also added to the Fund's position in Vonovia, as we believe the company has largely dealt with its balance sheet issues and should benefit from the anticipated rate-cutting cycle in 2024.

We exchanged contracts to purchase a newly constructed logistics warehouse in Cholet, Western France. The asset was significantly repriced and would have been priced 18 months ago at an initial yield of circa 4% versus the purchase yield of 5.6%. The asset has strong sustainability criteria and increases exposure to our favoured logistics sector. The purchase adds diversification by giving the Fund its first direct real estate exposure to France and diversifies the Fund's income expiry profile. We expect to complete the acquisition towards the end of the first quarter of 2024.

Performance review

During the fourth quarter, the Platform 1 accumulation units returned investors 1.81%. The listed portion of the portfolio returned 10.66%, with the greatest positive contribution derived from logistics-focused companies Goodman, Prologis and Segro.

Within the direct portfolio, the greatest positive contributor to returns was the Singaporean mixed-use asset, which returned 9.7% during the quarter. Through capital appreciation over successive quarters, this asset is now the Fund's largest direct asset. The greatest detractors were the Dublin and Melbourne office assets, which both experienced double-digit capital falls due to outward yield movement.

Fund Outlook

As we move into 2024, we anticipate the majority of the expected real estate pricing correction has played out at an all-property level. However, there are important differences regarding the expectations for capital values at a sector level, particularly for assets in sectors that are unlikely to benefit from thematic tailwinds and for poor-quality assets where future retrofit costs are rising as a result of more onerous environmental legislation. We continue to expect further capital decline for these types of assets. Although we are more positive about the market's prospects, the early months of 2024 are

likely to be a challenge as investment activity remains subdued and sentiment has yet to recover markedly. We expect activity and sentiment to improve as the year progresses. We remain very positive on sectors with strong fundamentals; for example, the industrial, residential and alternative sectors where vacancies are low, future supply is low and demand remains strong and continues to benefit from thematic tailwinds. In the wider market, uncertainty remains elevated because of the ongoing geopolitical and inflationary concerns. We do expect that interest rates will start to fall further into 2024 as inflation moderates, which should bolster real estate's relative pricing. We also expect weak economic growth generally and a mild US recession further on in 2024.

In this forecast environment where demand is subdued, tenant strength and income resilience will continue to be the focus. We aim to target good-quality occupiers with a strong credit rating in this phase of the cycle. Polarisation between good and poor-quality assets remains elevated and is becoming more pronounced as investors continue to target good-quality assets with strong environmental, social and governance credentials that are likely to meet future tightening environmental standards. Poor-quality assets in sectors with weak fundamentals – such as the office sector or lower-quality parts of the retail sector, where leasing demand is subdued and vacancies are high and rising – are expected to bear the brunt of the further corrections in value. A key risk to our outlook is inflation remaining stickier than the market currently predicts and interest rates potentially remaining at their current levels longer than we anticipate, which in turn would lead to further price decreases for real estate than we currently expect.

Fund Strategy

At quarter-end, the Fund held a combined cash and listed weighting of circa 34% (listed 20.5%, cash 14.5%). The Cholet purchase will reduce the Fund's liquidity position to circa 30%. On completion of this acquisition, logistics will become the Fund's largest sector weighting, which dovetails with our return expectation for the sector going forward.

The Singaporean mixed-use asset is held under three separate titles, and we have begun the process of marketing one of these titles to capitalise on the current strength of demand in this market. The property has a forthcoming lease expiry on the upper floors and, therefore, may also appeal to an owner-occupier as well as a traditional investor.



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Quarterly Update – Q4 2023



Risk profile

Investors should be aware of the following risk factors:

- (a) Commercial property is less liquid than other asset classes such as bonds or equities. Selling property can be a lengthy process so investors in the fund should be aware that they may not be able to sell their investment when they want to.
- (b) Commercial property transaction charges are higher than those which apply in other asset classes. Investors should be aware that a high volume of transactions would have a material impact on fund returns.
- (c) Property valuation is a matter of judgement by an independent valuer and is therefore a matter of the valuer's opinion rather than fact.
- (d) The fund invests in equities and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- (e) Dividend payment policies of the REITs in which the fund invests are not representative of the dividend payment policy of the fund.
- (f) The fund may invest in emerging market equities and/or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- (g) The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses.
- The fund does not make extensive use of derivatives.
- The fund employs a single swinging pricing methodology to protect against the dilution impact of transaction costs. A change in the pricing basis will result in movement in the fund's published price. All investment involves risk. This fund offers no guarantee against loss or that the fund's objective will be attained.
- Past performance is not a guide to future returns and future returns are not guaranteed. The price of assets and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.
- Inflation reduces the buying power of your investment and income. The value of assets held in the fund may rise and fall as a result of exchange rate fluctuations.
- The fund could lose money if an entity (counterparty) with which it does business becomes unwilling or unable to honour its obligations to the fund.
- In extreme market conditions some securities may become hard to value or sell at a desired price. This could affect the fund's ability to meet redemptions in a timely manner.
- The fund could lose money as the result of a failure or delay in operational processes and systems including but not limited to third party providers failing or going into administration.

Historical Performance of the Fund

The following table shows the percentage growth of the fund and the historical performance data of the fund over the periods stated below.

Performance	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
abrdrn Global Real Estate Fund	-0.55	-1.61	11.77	-5.51	10.11
Performance Target: To generate a return of 5% per annum over rolling three year periods, after charges	5.00	5.00	5.00	0.00	6.20

Source: Factset and abrdrn.

Basis: NAV to NAV, The above figures are based on Platform 1 Accumulation Units, GBP.

*IPD Direct/MSCI World Real Estate Custom Index to 31/12/19, 0% to 31/12/2020, 5% p.a. onwards.

Data regarding the performance target is not available for the period from 31/12/2019 to 31/12/2020 as the index provider ceased to calculate any index returns during this period.

As of 01/01/2021, the fund has moved to a total return benchmark, aiming to generate a total return of 5% p.a. (after charges) over rolling three year periods.



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Important information

This document is intended for use by individuals who are familiar with investment terminology. To help you understand this fund and for a full explanation of specific risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents and Prospectus which are available on our website – www.abrdn.com.

abrdn has not considered the suitability of investment against your individual needs and risk tolerance. If you are in any doubt as to whether this fund is suitable for you, you should seek advice. An advisor is likely to charge for advice. We are unable to provide investment advice.

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