abrdn Future Real Estate UCITS ETF

Quarterly Update - Q1 2025

This is for professional investors for all countries. In Switzerland for qualified investors only.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID / KIID before making any final investment decisions.

The abrdn Future Real Estate UCITS ETF quarterly update provides an overview of the market; fund performance, positioning and portfolio changes; and the fund manager's outlook for the months ahead.

abrdn Future Real Estate UCITS ETF, a US Dollar denominated sub fund of abrdn III ICAV. This Fund is managed by Carne Global Fund Managers (Ireland) Limited (the "Manager").

OBJECTIVES AND INVESTMENT POLICY

Investment objective

To generate growth over the long term (5 years or more) by investing in listed real estate investment trusts ("REITs") and equities (company shares) of companies engaged in real estate-related activities globally.

Performance Target: To outperform the FTSE EPRA NAREIT Developed Net Index (the "Benchmark Index") before charges. There is however no certainty or promise that the Fund will achieve the Performance Target. The Investment Manager believes this is an appropriate target for the Fund based on the investment policy of the Fund and the constituents of the Benchmark Index.

Risks

All investment involves risk. This fund offers no guarantee against loss or that the fund's objective will be attained. 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.

Equity risk

The fund invests in equity 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.

Concentration risk

A concentrated portfolio may be more volatile and less liquid than a more broadly diversified one. The fund's investments are concentrated in a particular country or sector.

ESG risk

Applying ESG and sustainability criteria in the investment process may result in the exclusion of securities within the fund's benchmark or universe of potential investments. The interpretation of ESG and sustainability criteria is subjective, meaning that the fund may invest in companies which similar funds do not (and thus perform differently), and which do not align with the personal views of any individual investor.

Real estate investment trust risk

Dividend payment policies of the REITs in which the fund invests are not representative of the dividend payment policy of the fund.

Derivative risk

The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure among 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.

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Market commentary

Despite market volatility, the global real estate market achieved modest gains in the first quarter, meaningfully outperforming broader equity markets. The year began with optimism surrounding economic growth, deregulation, and accommodative tax policies from the new US administration. However, concerns over inflation stemming from policy decisions on tariffs and fears of slower economic growth weighed on market sentiment, placing downward pressure on equity valuations, particularly for stocks trading at higher valuations. Within the REIT sector, performance reversed from 2024. Laggards such as industrial and single-family rentals outperformed, while data centres underperformed materially.

There was wide variation in price performance during the quarter, with the top-performing healthcare sector outperforming the worst-performing data centres by more than 3,100 basis points. The leading sectors globally were healthcare, industrial and US residential. The healthcare sector continued to benefit from strong fundamentals in senior housing, particularly in the US, which has driven high-single-digit rental rate growth, increased occupancy, and double-digit earnings growth. The industrial sector, one of the worst performers in 2024 due to declining occupancy and pricing pressures, staged a rebound as the market worked to absorb excess supply amid falling demand. Prologis, the world's largest industrial landlord, forecast improved demand trends in the second half of 2025, leading to a rally from previously discounted valuations. The US residential sectors rallied as high interest rates kept mortgage rates elevated, making home purchases unaffordable and creating favourable conditions for better-than-expected rental growth despite an oversupply of housing. The data centre and hotel sectors were the weakest performers by a wide margin. Data centres sold off sharply after reports that Chinese AI company DeepSeek developed a competitive AI model at a fraction of the cost of US competitors, using less advanced chips. This raised concerns about future capital expenditures for data centre deployments by hyperscale users. Hotel REITs underperformed due to concerns about slowing economic growth and reduced international leisure travel to the US.

Outlook

As we progress through 2025, most real estate price corrections appear to have concluded. Notably, some sectors in the US, UK and Europe have seen value increases. As a result, the latest Aberdeen multi-asset house view has maintained its overweight stance on both global direct real estate and global real estate securities. This suggests that an underweight allocation is no longer advantageous to multi-asset portfolios.

We believe the real estate sector is well-positioned for relative performance. The defensive nature of real estate, with contractual leases, should allow earnings to remain stable relative to the broader market, especially if prolonged economic uncertainty arises from trade disruptions or tariff policies. Additionally, unlike previous economic downturns, supply is currently under control, which may help to mitigate downward pressure on market rents. However, the sector is not entirely immune to economic weakness, and some sectors with long-term secular tailwinds are expected to outperform those more sensitive to short-term economic activity.

As a result, we are focused on sectors and companies where we see opportunities to increase rents in the near term, with strong structural tailwinds supporting longer-term growth. We have also increased the Fund's allocation to less economically sensitive sectors, which we believe will better preserve their valuations.

The UK and parts of Europe are expected to lead the recovery, while the Asia Pacific region faces a muted cycle due to China's real estate challenges and Japan's monetary policies. The US recovery is slower, as European central banks ease policies ahead of the Federal Reserve. Within real estate, logistics, alternatives and residential sectors are likely to outperform retail and office assets. Specifically, retail warehouses and core central business district offices are expected to perform better within their respective sectors.

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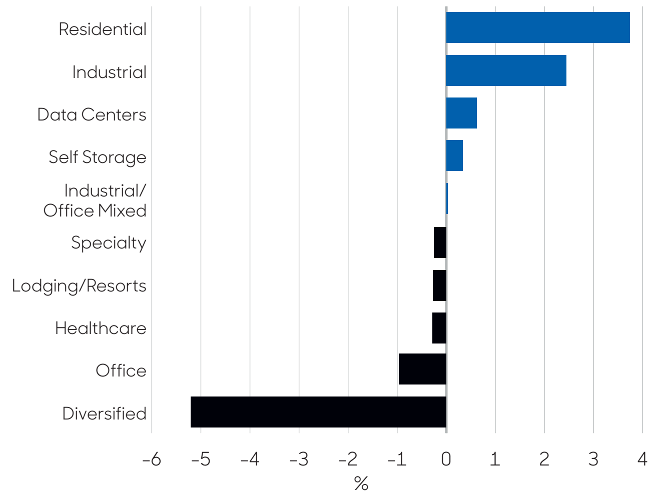
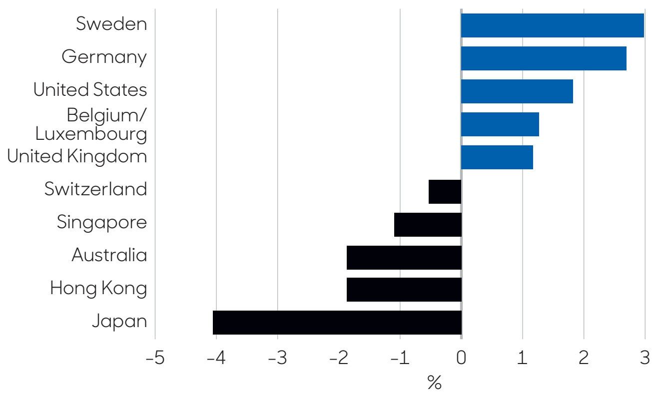
Top and bottom five stocks versus benchmark[1]

	Fund (%)	Benchmark[1] (%)	Relative (%)
LondonMetric Property Plc	1.75	0.27	1.48
Dream Industrial Real Estate Investment Trust	1.59	0.13	1.47
Vonovia SE	2.45	1.09	1.36
Fabege AB	1.31	0.11	1.21
Wihlborgs Fastigheter AB	1.31	0.15	1.16
Agree Realty Corporation	--	0.45	-0.45
Rexford Industrial Realty, Inc.	--	0.49	-0.49
Gaming and Leisure Properties, Inc.	--	0.75	-0.75
Sun Hung Kai Properties Limited	--	0.78	-0.78
Mitsubishi Estate Company, Limited	0.30	1.12	-0.82

Top and bottom five sectors versus benchmark[1]



Top and bottom five countries versus benchmark[1]



Fund facts

Fund size (USD)	$86.3m
Number of holdings	147
ISIN	IE000GGQK173
Inception date	1st March 2023
TER	0.40%
Base currency	USD
Ticker	AREG (GBP), R8TA (USD), R8T (EUR), AREC (CHF)
Benchmark index	FTSE EPRA NAREIT Developed Net Index
SFDR classification	Article 8

[1] Portfolio Holdings As Of Date: abrdn Future Real Estate UCITS ETF - Transactions 31-Mar-2025.
Benchmark Holdings As Of Date: FTSE EPRA Nareit Developed 31-Mar-2025.
All other information as at 31 March 2025 unless specified.

Performance (%)

	Since Inception[1] (%p.a)	1 mth	3 mths	YTD	1 yr	3 yrs	5 yrs
abrdn Future Real Estate UCITS ETF NAV	3.39	-2.76	0.83	0.83	1.95	n/a	n/a
abrdn Future Real Estate UCITS ETF Share price	3.36	-2.73	2.22	2.22	1.36	n/a	n/a
FTSE EPRA Nareit Developed Net Return Index (USD)	4.42	-2.32	1.59	1.59	3.89	-4.27	6.21

[1] Inception date 01/03/2023.

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Positive Performance Drivers

- The Fund maintained an overweight position in the pan-European logistics sector, which outperformed during the first quarter. Strong leasing activity and better-than-expected rental rate growth in several Western and Central European markets contributed to this outperformance.
- The Fund's underweight position in US central business district office REITs benefitted performance, as the sector underperformed during the period. The underperformance was driven by continued weak leasing activity in West Coast markets, which weighed on the performance of companies like Kilroy Realty.
- The Fund's underweight position to the pan-EMEA other sector contributed positively to performance, as higher interest rates put downward pressure on several names in the sector, leading to significant underperformance.

Negative Performance Drivers

- After strong relative performance in prior quarters, the German residential sector underperformed in the first quarter. The rise in interest rates was largely to blame for the underperformance, as the sector is the most rate-sensitive globally. Consequently, the Fund's overweight position detracted from performance.
- Underweight allocations to both the Japanese REIT and Japanese developer sectors led to underperformance during the quarter. Both sectors benefitted from positive fund flows elsewhere in Asia, as investors sought to reduce risks by investing in the relatively safe haven market of Japan.

Annual returns to 31 March 2025 (%)

	1 year to 31/03/25	1 year to 31/03/24	1 year to 31/03/23	1 year to 31/03/22	1 year to 31/03/21
abrdn Future Real Estate UCITS ETF NAV	1.95	n/a	n/a	n/a	n/a
abrdn Future Real Estate UCITS ETF Share price	1.36	n/a	n/a	n/a	n/a
FTSE EPRA Nareit Developed Net Return Index (USD)	3.89	7.41	-21.40	14.48	34.65

Fund inception date 1st March 2023.
Past Performance is not a guide to future performance. The price of shares 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.
For full details of the fund's objective, policy, investment and borrowing powers and details of the risks investors need to be aware of, please refer to the prospectus.
The fund does not have an index-tracking objective.

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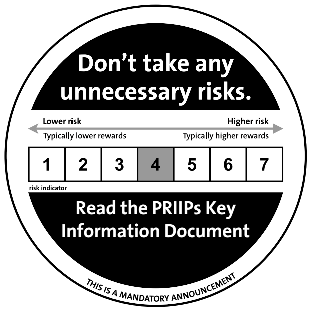
Important information

The fund is a sub fund of abrdn III ICAV, an open-ended umbrella fund which is regulated by the Central Bank of Ireland and with segregated liability between sub-funds registered in the Republic of Ireland (no. C469164) at 70 Sir John Rogerson's Quay, Dublin 2.



This fund is categorised as Article 8 under SFDR. Details of Aberdeen's Sustainable and Responsible Investment Approach are published at **aberdeeninvestments.com** under Sustainable Investing.

This fund concerns the acquisition of units/shares in a fund, and not in a given underlying asset such as a building or shares of a company.

Any decision to invest should take into account all objectives of the fund. To help you understand this fund and for a full explanation of risks and the overall risk profile of this fund and the share classes within it, please refer to the Key Investor Information Documents available **in the local language**, and Prospectus available in English, which are available on our website **aberdeeninvestments.com**. The Prospectus also contains a glossary of key terms used in this document.

A summary of investor rights can be found in English under Group Policies on the Manager's website **https://www.carnegroup.com/wp-content/uploads/2022/03/Carne-Group-Summary-of-Investor-Rights-1.pdf.**

This information is intended to be of general interest only and should not be considered as an offer, investment recommendation or solicitation to deal in the shares of any securities or financial instruments. Subscriptions for shares in the fund may only be made on the basis of the latest prospectus, relevant Key Investor Information Document (KIID) or Key Investor Document (KID) as applicable and, in the case of UK investors, the Supplementary Information (SID) for the fund which provides additional information as well as the risks of investing. These may be obtained free of charge from Aberdeen. All documents are also available on **aberdeeninvestments.com**.

Further information about the **abrdn Future Real Estate UCITS ETF** can be obtained from the prospectus, supplement to the prospectus and latest annual and semi-annual reports once available. These documents are available in English, are free of charge and can be obtained along with other information such as unit prices, from **aberdeeninvestments.com**, the Manager, or the **Paying agent: EU/EEA territories: europeanfacilitiesagent@carnegroup.com UK facilities agent: UKfacilities@carnegroup.com.**

The Manager may terminate arrangements for marketing the fund under the Cross-border Distribution Directive denotification process.

In the United Kingdom: The conditions set out in regulation 63 of the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019 have been satisfied with respect to the fund, with the result that the fund is treated as a recognised scheme for the purposes of Part XVII of the Financial Services and Markets Act 2000. For so long as the fund is treated as a recognised scheme, the fund may be promoted, and Shares in the fund may be marketed, to the general public in the United Kingdom, notwithstanding the United Kingdom's withdrawal from the European Union. This document and the information contained herein may only be distributed by an Authorised Person in accordance with the FCA rules.

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