



UK Commercial Property REIT Limited

Alternative Investment Fund Managers Directive
Pre-investment Disclosure Document

Article 23 AIFMD/Rule 3.2 FCA FUND Sourcebook

abrdn.com

31 March 2023



UK Commercial Property REIT Limited

This document is issued by abrdn Fund Managers Limited as the alternative investment fund manager of UK Commercial Property REIT Limited (“the Company”), in order to make certain information available to prospective investors prior to such investors’ investment in the Company, in accordance with the requirements of the FCA FUND Sourcebook implementing the EU Alternative Fund Managers Directive (Directive 2011/61/EU) in the United Kingdom and is being made available on the Company’s website: www.ukcpreit.com.

Defined terms used in this pre-investment disclosure document can be found in section 20 below.

1. **A Description of the Investment Strategy, Policy and Objective of the Company, Types of Assets the Company May Invest In, Investment Techniques and Investment Restrictions**

Information about the Company’s investment strategy, policy and objectives, the types of assets in which the Company may invest, the investment techniques and any investment restrictions are contained in the Annual Report which is available on the Company’s website: www.ukcpreit.com.

Investment Objective

To provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

Investment policy

In order to achieve the investment objective the Company invests in a diversified portfolio of freehold and long leasehold UK commercial properties. The Company invests in income producing assets across the commercial property sectors including industrial, offices, retail and other alternative commercial property sector assets. The Company has not set any maximum geographic exposures within the UK nor any maximum weighting limits in any of the principal property sectors. No single property shall, however, exceed at the time of acquisition 15 per cent of the gross assets of the Company.

The Company is currently permitted to invest up to 15 per cent of its total assets in indirect property funds including in other listed investment companies. The Company is permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits, gilts and money market funds.

Although not part of the Company’s formal investment policy, the Board intends to limit the Company’s investment into alternative sectors to 35 per cent of the gross assets of the Group at the time of acquisition..

Sustainable Finance Disclosure Regulation

The Manager integrates sustainability risks and opportunities into its research, analysis and investment decision-making processes. The AIFM believes that the consideration of sustainability risks and opportunities can have a material impact on long-term returns for investors. The Company is managed using an investment process integrating environmental, social and governance (“ESG”) factors but does not promote environmental or social ESG characteristics or have specific sustainable investment objectives. This means that whilst ESG sustainability risk factors and risks are considered, they may or may not impact portfolio construction. The Manager’s sustainability risk ESG integration requires, in addition to its inclusion in the investment decision making process, appropriate monitoring of sustainability considerations in risk management and, portfolio monitoring, engagement and stewardship activities. Where the Manager believes it can influence or gain insight, The Manager also actively engages with policymakers on ESG and stewardship matters the companies and assets in which it invests. The Manager believes this will create long-term value, including in relation to ESG practice. Where the Manager has rights, it also votes at Annual General Meetings of target companies to drive change. abrdn also engages with policymakers on sustainability risk and stewardship matters.

Combining the integration of sustainability risks and opportunities with broader monitoring and engagement activities may affect the value of investments and therefore returns. Furthermore, investments within the Company’s portfolio do not take into account the EU Taxonomy criteria for environmentally sustainable economic activities. Further information on the Manager’s approach on ESG sustainable investing and sustainability risk integration approaches by asset classes can be found is available at www.abrdn.com under “SustainableResponsible Investing”.

2. **Principal Risks and Uncertainties**



There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial position, performance and prospects. The Company's assets consist of direct investments in UK commercial property. Its risks are therefore principally related to the commercial property market in general and also to each specific property in the portfolio.

The Board recognises its responsibility to carry out a robust assessment of the Company's principal risks and emerging risks. Principal risks are

defined as those that could result in events or circumstances that might threaten the Company's business model, future performance, solvency or liquidity and reputation. Emerging risks are those that have not yet occurred but are at an early stage of development or are current risks that are expected to increase in significance and become more fundamental in the future.

The Board has appointed a Risk Committee to ensure that proper consideration of risk is undertaken in all aspects of the Company's business on a regular basis. The Risk Committee meets quarterly and comprises all members of the Board and is chaired by Margaret Littlejohns. Its duties include the assessment of the Company's risk appetite and the regular review of principal and emerging risks, seeking assurance that these risks are appropriately rated and that effective mitigating controls are in place, where possible.

Strategic Risks: Widening Discount and Continuation Vote

Risks & Impact The Company's strategic objectives and performance, both absolute and relative, could become unattractive to investors leading to a widening of the share price's discount to net asset value, and potentially a continuation vote. An inappropriate investment strategy could lead to an erosion of shareholder value. This could include poor decisions on purchases and sales, sector allocation, tenant selection, levels of borrowing or inadequate consideration of ESG etc.

Mitigation

- The Company's strategy and objectives are regularly reviewed by the Board to ensure they remain appropriate, effective and sustainable.
- The Board receives regular presentations from research analysts on both the general economy but also the property market in particular to identify structural shifts and threats, so the Board can adapt the Company's strategy if necessary.
- The NAV and share price are constantly monitored and regular analyses of the Company's performance are reviewed by the Board and compared with the Company's benchmark and its peer group.
- Cash flow projections are prepared by the Investment Manager and reviewed at least quarterly by the Board.
- Regular contact is maintained with shareholders and the Company's broker.

Investment and Asset Management Risks: Health & Safety

Risks & Impact The Company could fail to identify, mitigate or manage major Health & Safety issues potentially leading to injury, loss of life, litigation and the ensuing financial & reputational damage.

Mitigation

- Health & Safety checks are included as a key part of due diligence for any new property acquisition.
- For existing multi-tenancy properties, the Group's Property Agent (Jones Lang LaSalle) is responsible for managing and monitoring Health & Safety matters of each building.
- The Investment Manager monitors on an ongoing basis all identified Health & Safety issues with strict deadlines for resolution by the Managing Agent.
- The Investment Manager also engages S2 Partnership Limited who provide an independent Health & Safety review and fire risk assessment of all multi-let properties on an annual basis.
- The Risk Committee reviews the Company's Health & Safety performance quarterly.

Investment and Asset Management Risks: Environmental

Risks & Impact Properties could be negatively impacted by an extreme environmental event (e.g. flooding) or the Company's own asset management activities could create environmental damage. Climate change could accelerate more quickly than anticipated, leading to legislative changes. Failure by the Company to achieve existing or future environmental targets could adversely affect the Company's

reputation, resulting in penalties and increased costs and ultimately in a reduction in the value of assets that are less energy efficient. Access to capital could be restricted: investors might avoid shareholdings in companies that do not meet their environmental expectations and banks could limit funding only to borrowers who fulfil pre-set environmental criteria.

- Mitigation**
- The Company considers its impact on the environment and its local communities in all its activities and works in partnership with its key stakeholder groups – investors, occupiers, suppliers and communities – to ensure that all parties share responsibility to achieve a more sustainable property performance.
 - In-depth research is undertaken on each property at acquisition with a detailed environmental survey.
 - The Investment Manager employs its own proprietary research framework, the ESG Impact Dial, which assesses 4 major forces: Environment & Climate, Governance & Engagement, Demographics & Technology and Infrastructure.
 - Experienced advisers on environmental, social and governance matters are also consulted both internally at the Investment Manager and externally where required.
 - The Investment Manager has adopted a thorough environmental policy which is applied to all properties within the portfolio.
 - EPC rating benchmarks have been set to ensure compliance with Minimum Energy Efficiency Standards (MEES).

Financial Risks: Macroeconomic

Risks & Impact The property market is cyclical and very sensitive to changes in the economic environment. Macroeconomic changes (e.g. levels of GDP, employment, inflation, interest rate movements), political changes (e.g. Brexit, new legislation), structural changes (e.g. new technology, demographics) or global events (pandemics, wars, terrorist attacks, oil price disruption) could negatively impact commercial property values and the underlying businesses of tenants (market risk and credit risk). This may be reflected in a decline in the

share price, Net Asset Value per share and earnings per share of the Company. Falls in the value of investments could also result in breaches of loan covenants and solvency issues.

- Mitigation**
- The abrdn Research team takes into account macroeconomic conditions when collating property forecasts. This research is fed into the Investment Manager's decisions on purchases and sales and sector allocations.
 - The portfolio is UK based and diversified across a number of different sectors and regions of the UK and also has a wide and diverse tenant base to reduce any risk concentration where possible.
 - There is a wide range of lease expiry dates within the portfolio in order to minimise concentrated re-letting risk.
 - The Board intends that borrowing of the Group at the time of draw down will not exceed 25% of the total assets of the Group.
 - The Company has limited exposure to speculative development and is generally only undertaken on a forward funded and pre-let basis.
 - Rigorous portfolio reviews are undertaken by the Investment Manager and presented to the Board on a regular basis.
 - Annual asset plans are developed for each property, ensuring that inherent value can be realised through active asset management.
 - Individual investment decisions are subject to robust risk versus return evaluation and approval. Each potential investment is scrutinised and rigorously assessed, taking into account location, legal title, local market dynamics, physical and environmental conditions and the quality and soundness of the projected income stream.
 - Every building has comprehensive insurance to cover both the property itself and injury to associated third parties.

Financial Risks: Gearing

Risks & Impact An inappropriate level of gearing, magnifying investment losses in a declining market, could result in breaches of loan covenants and threaten the Company's liquidity and solvency. An inability to secure adequate borrowing with appropriate tenor and competitive rates could also negatively impact the Company.

Mitigation

- The Board intends that borrowing of the Group at the time of draw down will not exceed 25% of the total assets of the Group.
- This low gearing limit means that the Company should, barring exceptional circumstances, have adequate resources to service and repay its debt.
- The Company's diversified, prime UK commercial property portfolio, underpinned by its strong tenant base, should provide sufficient value and income in a challenging market to meet the Company's future liabilities.
- The Company's relatively modest level of gearing has attracted competitive terms and interest rates from lenders for the Company's loan facilities.
- The Investment Manager has relationships with multiple funders and wide access to different sources of funding on both a fixed and variable basis.
- Financial modelling is undertaken and stress tested annually as part of Company's viability assessment, whenever new debt facilities are being considered and whenever unusual events occur.
- Loan covenants are continually monitored and reported to the Board at least quarterly and also reviewed as part of the disposal process of any secured property.

Financial Risks: Liquidity

Risks & Impact The Company may be unable to dispose of property assets in order to meet its financial commitments or obtain funds when required for asset acquisition or payment of expenses or dividends. Investments in property are generally illiquid, in that they may be difficult to sell quickly and may have to be sold at a discount to the recorded valuation.

The Company's shares could become illiquid due to lack of investor demand, market events or regulatory intervention and the Company's shareholders may be unable to sell their shares due to lack of liquidity in the market.

Mitigation

- The Company has a diversified portfolio of good quality, marketable properties.
- The Company is listed on the London Stock Exchange and a component of the FTSE 350 Index made up of the largest 350 companies in the UK by market capitalisation.
- Financial commitments are limited by the Company's relatively low level of gearing.
- Liquidity risk is managed on an ongoing basis by the Investment Manager and reviewed at least quarterly by the Board.
- Cash is placed in liquid deposits and accounts with a high credit rating.

Financial Risks: Credit Risk of Tenants

Risks & Impact Income might be adversely affected by macroeconomic factors. Financial difficulties could cause tenants to default on their rents and could lead to vacant properties. This might result in falling dividend cover for the Company and potential dividend cuts.

Mitigation

- Dividend cover is forecast and considered at each Board meeting.
- The property portfolio has a balanced mix of tenants and reflects diversity across business sectors, limiting reliance on a single tenant or industry.
- The Group has a diversified tenant based.
- Rigorous due diligence is undertaken on all prospective tenants and their financial performance continues to be monitored during their lease.
- Rent collection from tenants is closely monitored so that early warning signs can be detected.
- Contingency plans are put in place where tenants with financial difficulties have been identified.
- Board approval is necessary for any material lettings.

Operational Risks: Service Providers

Risks & Impact Poor performance and/or inadequate procedures at key service providers i.e. Investment Manager, Company Secretary, Managing Agent, Registrar, could lead to errors, fraud and non-compliance with their contractual agreements and/or with relevant legislation. Failings in their data management processes and disaster recovery and business continuity plans, including cyber security safeguards, could lead to financial loss and business disruption for the Company.

Mitigation

- The Company has a strong control culture that is also reflected in its partnerships with suppliers.
- All investment decisions are subject to a formal approval process with specified authority limits.
- All third party service providers are carefully selected for their expertise, reputation and financial standing. Service level agreements are negotiated with all material suppliers and regularly monitored to ensure that pre-agreed standards are met.
- Suppliers' business continuity and disaster recovery plans, including safeguards against cyber-crime, are also regularly examined.
- The Management Engagement Committee ("MEC") formally reviews all key service providers once a year and whenever necessary during times of stress.
- Assurance reports on internal controls (ISAE 3402 reports) for both the Investment Manager and the Property Agent are received and reviewed annually.

Operational Risks: Accounting and Valuation

Risks & Impact Accounting records and financial statements could be incorrect or incomplete or fail to comply with current accounting standards. In particular property valuations, income and expenses could be calculated and recorded inaccurately. Limited transactions in the property market could hinder price discovery and could result in out of date valuations.

Mitigation

- All properties within the portfolio are independently valued by CBRE Limited on a quarterly basis and their year-end valuations recorded in the Company's accounts. This is a rigorous assessment process to which the Investment Manager also contributes information.
- CBRE, the independent valuer, is required to carry out a physical inspection of each property at least annually.
- The Property Valuation Committee reviews thoroughly each quarter this independent valuation process.
- Accounting control and reconciliation processes are in place at the Investment Manager. These are subject to regular independent assessment for their suitability and operating effectiveness by an external auditor.
- Financial statements are subject to a year end audit by Deloitte LLP.

Regulatory Risks: Regulatory change

Risks & Impact The Company could fail to comply with existing legislation or adapt to new or future regulation. In particular, the Company could fail to comply with REIT legislation and ultimately lose its REIT status, thereby incurring substantial tax penalties and reducing the amounts available for distribution to shareholders. Other key relevant legislation and regulations also include the Stock Exchange Listing Rules, Guernsey Company Law and Guernsey Registry requirements.

Increased regulation and legislation concerning the environment is likely as the climate continues to change. This could lead to increased compliance costs for the Company and a revaluation of its less energy efficient assets if they become less attractive to investors and tenants.

Mitigation

- The Board receives regular updates on relevant regulatory changes from its professional advisors.
- The highest corporate governance standards are required from all key service providers and their reputation and performance are reviewed at least annually by the Management Engagement Committee.
- The Company has appointed experienced external tax advisors to advise on tax compliance matters.
- Processes have been put in place to ensure ongoing compliance with REIT rules following the Company's conversion to a REIT on 1 July 2018.

- The Board reviews quarterly a REIT dashboard confirming compliance with REIT regulations.
- The Company engages specialist consultants to advise on environmental matters as part of acquisition due diligence and when considering significant redevelopment work. Consultants are also engaged to monitor environmental credentials throughout the ownership of each property.

Stakeholder Engagement Risks: Communication

Risks & Impact

A communication breakdown with key stakeholders, particularly shareholders and tenants, could prevent the Company from understanding and responding to their needs and concerns. When required to fulfil certain reporting requirements, the Company could fail to communicate with regulatory authorities about its major shareholders. As a result the Company could potentially suffer financial penalties and reputational damage.

Mitigation

- A high degree of engagement is maintained with both shareholders and tenants.
- The Investment Manager regularly meets with shareholders and periodically, the Chair of the Board also meets key shareholders.
- Quarterly Board reports include detailed shareholder analysis, written and verbal reports from JP Morgan Cazenove, the Company's Corporate Broker, and feedback from shareholder and analyst meetings where appropriate.
- The Investment Manager works closely with tenants to understand better their needs and to remodel and refurbish buildings to fit their evolving requirements. This helps to reduce the risk of vacant properties.
- The Company receives professional advice on its reporting obligations regarding major shareholders to ensure that it complies with regulations.

Risks relating to the Company's investments

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

The value of property and property-related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of Properties will correspond exactly with the actual sale price even where such sales occur shortly after the relevant valuation date.

Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such fall on the net revenue of the Company and, accordingly, will have an adverse effect on the Company's ability to pay dividends to Shareholders.

The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields. In the event of default by a tenant, or during any other void period, the Company will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveying costs in re-letting, maintenance costs, insurance costs, rates and marketing costs.

Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value.

Any change to the laws and regulations relating to the UK commercial property market may have an adverse effect on the market value of the Property Portfolio and/or the rental income of the Property Portfolio.

Where there are lease expiries within the Property Portfolio, there is a risk that a significant proportion of leases may be re-let at rental values lower than those prevailing under the current leases, or that void periods may be experienced on a significant proportion of the Property Portfolio.

The Company may undertake development (including redevelopment) of property or invest in property that requires refurbishment prior to renting the property. The risks of development or refurbishment include, but are not limited to,

delays in timely completion of the project, cost overruns, poor quality workmanship, and inability to rent or inability to rent at a rental level sufficient to generate profits.

The Company may face significant competition from UK or other foreign property companies or funds. Competition in the property market may lead to prices for existing properties or land for development being driven up through competing bids by potential purchasers. Accordingly, the existence of such competition may have a material adverse impact on the Company's ability to acquire properties or development land at satisfactory prices.

As the owner of UK commercial property, the Company is subject to environmental regulations that can impose liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination. If the Company owns or acquires contaminated land, it could also be liable to third parties for harm caused to them or their property as a result of the contamination.

If the Company is found to be in violation of environmental regulations, it could face reputational damage, regulatory compliance penalties, reduced letting income and reduced asset valuation, which could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects and/or the price of the Shares.

3. Risk Management Systems

The directors of abrdn Fund Managers Limited collectively assume responsibility for AFML's obligations under the AIFMD including monitoring the Company's risk profile during the year.

AFML, as a fully integrated member of the abrdn group of companies, receives a variety of services and support in the conduct of its business activities from the resources of the abrdn Group. AFML conducts its risk oversight, including in the conduct of its risk oversight function, through the operation of the abrdn Group's risk management processes and systems. Further details of the abrdn Group's risk management programme and systems are set out in the Appendix to this document.

4. Leverage

Leverage limits

The maximum leverage which the Manager is entitled to employ on behalf of the Company (expressed as a ratio to total assets) is:

Commitment Method	250%
Gross Method	250%

Types of leverage

Leverage is a common feature of most closed ended property funds (and particularly UK REITs) and would be utilised in order to provide enhanced returns for shareholders. The AIFM believes the maximum level of leverage supports the ability of the Company to acquire assets which help generate additional income returns for the Company, along with potential capital increases, compared to the cost of such leverage.

The Company's policy is not to restrict the type of borrowing it can enter into. This deliberately provides flexibility for the Company to establish over time a diversified borrowing strategy involving different sources (bank as well as other financial institutions) and staggered maturity profiles with varying term lengths. Whilst the use of leverage may enhance returns to investors, it may also have the effect of increasing losses.

The use of leverage will be subject to both the maximum leverage limit set out below plus the gearing limits approved by shareholders included in the Company's investment policy, namely:

The AIFM is required by the AIFM Directive to set a maximum level of leverage which it may employ on behalf of the Company and is calculated in a significantly different manner to that described above.

The AIFM Directive defines "leverage" as "any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means". Leverage is expressed as the ratio of the AIF's "exposure" to its net asset value. For these purposes, the "exposure" of an AIF is calculated by a "gross" and a "commitment" method. Under each method, "exposure" is calculated by aggregating the values of all positions of the AIF. However, whereas the exposure of an AIF calculated in accordance with the "gross" method is the sum of the absolute value of all positions, the "commitment" method allows certain investment positions to be excluded from the calculation if these aim at offsetting some risk such as

'netting' and 'hedging' arrangements. Under these methods of calculation, the gearing limit for Standard Life Investments Property Income Trust Limited has been set at 400% and 250% for the gross and commitment method respectively.

Disclosure of information in relation to leverage

The Company will disclose on its website at the same time as it makes its annual report and financial statements available to investors or more frequently at its discretion, the following:

- any changes to the maximum level of leverage that the AIFM may employ on behalf of the Company;
- any changes to the right of reuse of collateral or any guarantee granted under the leveraging arrangements;
- and
- the total amount of leverage employed by the Company.

5. Modification of Investment Policy

In accordance with the Financial Conduct Authority's ("FCA") listing rules, any material change to the Company's investment policy will require the FCA's prior approval as well as the approval of Shareholders. In considering what is a material change the Company must have regard to the cumulative effect of any changes since Shareholders last had the opportunity to vote.

6. Contractual Relationship Between the Company and Investors, Applicable Law and the Enforcement of Judgements

The Company is incorporated as a closed ended investment company under the provisions of the Companies Act 2006 (as amended) and its Shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange.

Investors who acquire shares in the Company will do so subject to the Articles. The Articles are one of the Company's constitutional documents and contain the rights and restrictions attaching to the Company's shares. The Articles are governed by Guernsey law and may only be amended by way of a special resolution. A shareholder's liability to the Company will be limited to the value of the shares held by such shareholder.

As the Company is incorporated in Guernsey, it may not be possible for an investor located outside that jurisdiction to effect service of process upon the Company within the local jurisdiction in which that investor resides. All or a substantial portion of the assets of the Company may be located outside of the local jurisdiction in which an investor resides and, as a result, it may not be possible to satisfy a judgment against the Company in such local jurisdiction or to enforce a judgment obtained in the local jurisdiction's courts against the Company.

A number of legal instruments provide for the recognition and enforcement in Guernsey of judgments given in other states. Where no particular legal instrument applies, a judgment creditor may nevertheless have rights to seek to enforce a judgement under Guernsey law.

Details on how to invest in the Company are set out in the Annual Report.

7. Information on the AIFM, Depositary and Service Providers

AIFM/Manager

The Company has appointed abrdn Fund Managers Limited, which is a company limited by shares and incorporated in England & Wales, as its alternative investment fund manager. The Manager is a subsidiary of abrdn, a company incorporated in Scotland.

The Manager is authorised and regulated by the FCA as an alternative investment fund manager. Pursuant to the Management Agreement, the Manager provides investment management services (including portfolio management), risk management services and general administrative services to the Company.

The duties of the Manager also include (but are not limited to) the following:

- The proper valuation of the Company's assets and the calculation and publication of the Net Asset Value of the Company
- To review its delegation of the portfolio management function to the Investment Manager on an ongoing basis

- To ensure that appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the Company can be performed
- To implement a risk management system to identify, measure and manage appropriately all risks relevant to the Company's investment strategies and to review this system on an annual basis
- To ensure that a single depositary is appointed to ensure, among other things, the proper monitoring of the Company's cash flows and the safe-keeping of the Company's assets that can be held in custody
- To employ an appropriate liquidity management system
- To adopt procedures enabling it to monitor the liquidity risk of the Company and ensure that the liquidity profile of the Company's investments complies with its underlying obligations
- To use adequate and appropriate human and technical resources necessary for the proper management of the Company
- To make available an annual report for the Company no later than four months following the end of its annual accounting period

The Management Agreement contains customary termination provisions and may be terminated on six months' written notice by either the Company or the Manager. The Company may also terminate the Management Agreement immediately *inter alia* if the Manager ceases to maintain its regulatory permission to act as AIFM and following a change of control of the Manager or if the Investment Manager ceases to maintain its regulatory permissions. In addition, either party may terminate the agreement immediately by notice upon the occurrence of certain events including the insolvency or winding up of the other party and a material breach of contract.

The Manager has delegated the portfolio management of the Company to abrdn Investments Limited. Further details of the delegation arrangements are set out in paragraph 9 below.

Depositary

The Company has appointed Citibank UK Limited to act as its depositary. Pursuant to the Depositary Agreement, the Depositary must carry out the duties specified in AIFMD, including:

- Safekeeping of the assets of the Company which are entrusted to it
- Cash monitoring and verifying the Company's cash flows
- Oversight of the Company and the Manager, including
 - Ensuring that the sale, issue, re-purchase, redemption, transfer, buy back and valuation of shares are carried out in accordance with the Company's constitutional documentation and applicable laws, rules and regulations
 - Ensuring that in transactions involving the Company's assets the consideration is remitted to the Company within the usual time limits
 - Ensuring that the Company's income is applied in accordance with the Company's constitutional documentation and applicable laws, rules and regulations
 - Carrying out instructions received from the Manager unless they conflict with the Company's constitutional documentation or any applicable law, rule or regulation, or the provisions of the Depositary Agreement

In carrying out such functions the Depositary must act honestly, fairly, professionally, independently and in the interests of Shareholders.

The Depositary is liable to the Company and/or Shareholders for the loss of a financial instrument held in custody by the Depositary or a delegate, unless the Depositary is permitted to discharge, and has discharged, such liability under AIFMD and the Depositary Agreement. The Manager will inform investors of any changes with respect to the Depositary's liability for the loss of a financial instrument held in its custody. The Depositary is also liable to the Company and/or the shareholders for all other losses suffered by them as a result of the Depositary's negligent and/or intentional failure to properly fulfil its duties.

Under the Depositary Agreement, the Company has indemnified the Depositary and its delegates against certain liabilities and expenses resulting from the Depositary's performance of its obligations under the agreement or where the Depositary has acted in accordance with authorised instructions, except where (i) the Depositary is in material breach of contract, is negligent or has intentionally failed to carry out its obligations, is in wilful default or there is fraud; or (ii) any affiliate of the Depositary has been negligent, has failed to take reasonable care or has been fraudulent in connection with the services provided.

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new depositary is appointed by the Company.

Auditor

Deloitte LLP has been appointed as the Company's auditor responsible for auditing the annual financial statements in accordance with auditing standards and, as appropriate, regulations, and for providing its report to the Company's shareholders in the annual report and financial statements. In addition, applicable law and regulation may require other reports to be prepared for the Company and, as the appointed auditor of the Company, the Auditor will undertake such work under the auditor service agreement between the Company and the Auditor.

Registrar

The registrar of the Company is Computershare Investor Services (Guernsey) Limited which is responsible for keeping the register of Shareholders, which may be inspected at the Registrar's office at 1st Floor, Tudor House, Le Bordage, St Peter Port, Guernsey, Channel Islands GY1 1DB during normal business hours.

Stockbroker

JP Morgan Cazenove has been appointed as the Company's stockbroker to provide the Company with corporate broking and associated financial advisory services.

Investors' rights against service providers will vary depending on a range of factors. If the relevant service provider is an authorised person under FSMA carrying out a regulated activity with respect to the Company, then a contravention by it of a Rule contained within the FCA Handbook may in certain circumstances give rise to a claim for breach of statutory duty against that service provider by an investor who suffers loss as a result of that contravention. Investors may also be afforded certain rights against service providers by the general law.

8. Protection from Professional Liability Risks

The Manager has effective internal operational risk management policies and procedures in order to appropriately identify measure, manage and monitor operational risks, including professional liability risks, to which it is or could reasonably be exposed. These policies and procedures are subject to regular review and the operational risk management activities are performed independently as part of the risk management policy.

The management of operational risk, through the risk and control self-assessment process, is aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses. All risks and events are facilitated via the internal risk management system, which provides a platform to facilitate the convergence of governance, risk and compliance.

The Manager is required to cover professional liability risks, such as the risk of loss of documents evidencing title of assets to the Company, and complies with such requirement by maintaining an amount of its own funds in accordance with AIFMD.

9. Delegation Arrangements and Management of Conflicts

Delegation arrangements

From time to time, the AIFM may delegate certain management functions to its affiliated subsidiaries or third parties. The AIFM has delegated:

- Company secretarial duties to Northern Trust International Fund Administration (Guernsey) Limited

Portfolio Management

The Manager has delegated portfolio management to the Investment Manager, which is authorised and regulated by the Financial Conduct Authority. The Investment Manager is part of the abrdn Group of which the Manager is also part.

Pursuant to the Investment Management Agreement the Investment Manager will be responsible for managing the purchase and sale of investments within the categories allowed. The Investment Manager has discretion to take day to day investment decisions and to deal in investments in relation to the investment management of the Company, without prior reference to the Manager. The Manager is entitled to give further instructions to the Investment Manager. Notwithstanding the delegation of portfolio management to the Investment Manager, the Manager will at all times remain responsible for the portfolio management function and the Investment Manager has undertaken to abide by, and be subject to, the Manager's overall supervision, direction and control.

Company secretarial duties

The Manager has delegated the company secretarial duties to Northern Trust International Fund Administration Services (Guernsey) Limited. Pursuant to the CoSec Agreement, the Company Secretary provides company secretarial services including convening meetings of Directors and general meetings of the Company, keeping the statutory books and records of the Company, maintaining the Company's register, preparing and delivering company announcements and other company secretarial duties properly or reasonably performed by the secretary of a company or as the Manager may reasonably require.

Depositary delegation

The Depositary has given notice that it will delegate certain safekeeping functions entrusted to it by the Company to various formally appointed delegates and third parties including in countries outside the domicile of the Company or the Depositary (including central securities depositaries, securities settlement systems, clearing houses, book-entry securities system and similar depositaries, systems or facilities) in accordance with the provisions of AIFMD and the Depositary Agreement.

Conflicts of interests

The Manager and the Investment Manager are committed to treating clients and shareholders fairly and have implemented procedures and processes to ensure that this is the case. In particular, the Manager and the Investment Manager have approved and adopted the abrtn Group's Conflicts of Interests Policy.

The objective of the Conflicts of Interests Policy is to ensure the fair treatment of clients and shareholders in cases of conflicts of interests or potential conflicts of interests which may arise in the course of providing management, advisory or administrative services to the Company.

To achieve this objective, the Conflicts of Interests Policy seeks to ensure that the Company and its service providers and the Manager and its delegates have adequate organisational and structural measures in place:

- To identify circumstances which constitute or may give rise to a conflict of interests entailing a material risk of damage to the interests of the Company or its shareholders
- To provide procedures, mechanisms and systems to manage or resolve any such conflicts of interests; where such conflict cannot otherwise be avoided, ensuring that the Company, the Manager and the Investment Manager always act in the best interests of shareholders
- To maintain a proper record of any such conflict or potential conflict and to ensure proper reporting to affected shareholders

The following circumstances have been identified as constituting or potentially giving rise to conflicts of interests:

- The Depositary is responsible for the oversight of the Manager's discharge of its duties
- Directors of the Manager are senior executives of, and employed by, the abrtn Group
- The Manager, the Investment Manager and the Company Secretary are affiliated entities of the abrtn Group.
- The key terms of the Investment Management Agreement and the CoSec Agreement are similar to those which might be agreed between independent third parties
- The Investment Manager has discretion to enter into foreign exchange hedging transactions and borrowings on behalf of the Company. The Investment Manager may appoint an affiliate of any existing service provider or any other third party to act as a counterparty in the execution of foreign exchange transactions in connection with the currency hedging activities of the Company and/or to implement the currency hedging strategy
- The abrtn Group and its affiliates may hold or trade in securities and instruments of the same type as the securities and instruments held or traded in by the Company; they may also utilise the same or similar strategies as those adopted by the Investment Manager on behalf of the Company. In addition, the Company may make investments in other funds managed or advised by the abrtn Group or its affiliates

In order to ensure that actual and potential conflicts of interests are appropriately identified, managed and monitored, the abrtn Group has established a formal committee which operates under documented terms of reference and which meets regularly to maintain oversight of the Conflicts of Interests Policy and the management of live conflicts situations. Abrtn maintains a documented matrix of known or inherent conflicts of interests, as well as a documented register of live actual or potential conflicts of interests arising in the carrying on of its business operations.

10. Valuation Procedures

The Company's accounting policies, including in relation to the valuation of investments, are set out in the Notes to the Financial Statements in the Annual Report.

The Company has delegated a number of its duties to the Manager including the proper valuation of the Company's assets, the calculation of the Net Asset Value of the Company and the publication of such Net Asset Value. Accordingly, the Manager has approved and adopted abrdn's Valuation Policy. The Manager considers that the Valuation Policy contains appropriate and consistent procedures to ensure that a proper and independent valuation of the assets of the Company can be performed.

Valuations of the properties in the Company's portfolio are performed by accredited external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment properties being valued. The valuation models utilised comply with the Royal Institute of Chartered Surveyors ('RICS') Global Standards (incorporating the International Valuation Standards) and the UK National Supplement (the Red Book). These valuation models are consistent with the principles in International Financial Reporting Standard 13.

There is a Property Valuation Committee, chaired by Chris Fry, comprises the full Board and meets four times a year. The Committee is convened for the purpose of reviewing the quarterly independent property valuation reports prior to their submission to the Board. The Chairman of the Property Valuation Committee meets with the independent property valuer at least annually.

11. Liquidity Risk Management and Redemption Rights

The Manager has a Liquidity Policy in place. Shares in the Company are not redeemable and shareholders do not have the right to require their shares to be purchased by the Company. Accordingly, the Liquidity Policy ensures that the Company's investment portfolio is sufficiently liquid to meet the following principal obligations:

- the Company's operating and financing expenses: in practice, these expenses are typically covered by the rent received from the Company's investments; and
- the possible need to repay borrowings at short notice, which would require to be met by the sale of assets.

For closed ended funds such as the Company, due to the illiquid nature of the underlying assets and the risks to the Company of not being able to realise a sale or acquire a property quickly enough, this policy focuses, primarily, upon the potential issues with regard to the mis-pricing of illiquid securities and sets out primary and secondary controls, to monitor and manage liquidity in the Company. There are primary controls (diversified portfolio, appropriate prime / secondary emphasis to portfolio, risk limits on void and development exposure); and secondary controls (e.g. stress tested cash projections, solvency reports, covenant reporting). The abrdn Investments Valuation and Pricing Committee is responsible for the pricing of illiquid securities.

This policy involves an assessment by the AIFM of the values at which it expects to be able to liquidate its assets over varying hypothetical periods in varying market conditions, taking into account the sensitivity of particular assets to particular market risks and other relevant factors. None of the Company's assets are subject to special arrangements arising from their illiquid nature but a significant proportion of the Company's assets are, and are expected to be, invested in property assets which are not highly liquid.

The Liquidity Policy is reviewed and updated, as required, on at least an annual basis.

12. Fees, Charges and Expenses

The Manager charges an annual fee of 0.525% of the Company's total assets up to £1.75billion, and 0.475% of total assets above £1.75bn. The fee is payable quarterly and is calculated on the basis of total assets at the end of each quarter.

The Company also incurs annual fees, charges and expenses in connection with company secretarial and administration functions, directors' fees, promotional activities, auditors' fees, lawyers' fees and depositary charges. The Company's Ongoing Charges (which include the management fee), excluding direct property costs, amounted to 0.7%, as included in the latest Annual Report.

13. Fair Treatment/Preferential Treatment of Investors

The Manager is subject to the FCA's rules on treating customers fairly and has adopted a policy regarding treating customers fairly, the operation of which is overseen by a formal committee comprised of senior managers from the

abrdrn Group's various business units and from its risk division. The role of the Conduct Risk Committee, which meets regularly and operates under documented terms of reference, is to ensure, among other matters, that the Conduct Risk Policy is implemented and maintained and to consider any actual or potential Conduct Risk Policy issues arising in connection with the abrdrn Group carrying on its business operations. General awareness training on the Conduct Risk Policy and what it means to the abrdrn Group and its customers is delivered to all abrdrn Group staff.

No investor in the Company obtains preferential treatment or the right to obtain preferential treatment.

14. Availability of the AIF's Latest Annual Report

The Company's latest annual report is available on the Company's website: www.ukcpreit.com

15. Procedure and Conditions for the Issue and Sale of Shares

The issue of new shares by the Company, either by way of a fresh issue of shares or by way of the sale of shares from treasury, is subject to the requisite shareholder authorities being in place and all FCA listing rule requirements having been met. Shares in the Company can also be bought in the open market through a stockbroker. They can also be purchased through the abrdrn savings schemes and qualify fully for inclusion within tax-efficient ISA wrappers. Further information about how shares in the Company may be purchased is set out in the section headed "Investor Information" in the Annual Report.

16. Latest NAV of the AIF

The Company's NAV is published quarterly by way of an announcement on a regulatory information service.

For internet users, additional data on the Company, including the latest published NAV, the closing price of ordinary shares for the previous day of trading on the London Stock Exchange, performance information and a monthly factsheet, is available on the Company's website: www.ukcpreit.com.

17. AIF's Historical Performance

The Company's historical performance data, including copies of the Company's current and previous annual report and financial statements, are available on the Company's website: www.ukcpreit.com.

18. Prime Brokerage

The Company has not appointed a prime broker.

19. Periodic Disclosures

The Manager will, at least as often as the annual report and financial statements are made available to Shareholders, make the following information available to shareholders:

- Any changes to (i) the maximum level of Leverage that the Manager may employ on behalf of the Company and (ii) any right of reuse of collateral or any guarantee granted under any leveraging arrangement
- The total amount of Leverage employed by the Company
- The percentage of the Company's investments which are subject to special arrangements resulting from their illiquid nature
- The current risk profile of the Company outlining (i) measures to assess the sensitivity of the Company to the most relevant risks to which the Company is or could be exposed and (ii) if risk limits set by the Manager have been or are likely to be exceeded and where these risk limits have been exceeded, a description of the circumstances and the remedial measures taken
- The risk management systems employed by the Manager outlining the main features of the risk management systems employed by the Manager to manage the risks to which the Company is or may be exposed. In the case of a change, information relating to the change and its anticipated impact on the Company and shareholders will be made available

The Manager will inform Shareholders as soon as practicable after making any material changes to its liquidity management system and procedures. Any material changes to the periodic disclosures will be provided to Shareholders by way of an announcement to a regulatory news service.

20. Defined Terms

The following defined terms are used in this pre-investment disclosure document:

abrdrn or abrdrn Group	abrdrn plc, a company registered in Scotland, and its subsidiaries
AIFMD	European Union Directive 2011/61/EU, together with its implementing measures
AIFM or Manager or AFML	abrdrn Fund Managers Limited (formerly Aberdeen Standard Fund Managers Limited, until 31 July 2022)
Annual Report	The Company's Annual Report and Financial Statements for the relevant financial year, the most recent year being the year ended 31 December 2022
Articles	The Company's articles of association, as amended from time to time
Auditor	Deloitte LLP
Brussels Regulation	Council Regulation (EC 44/2001) of 22 December 2000, concerning the recognition and enforcement in England and Wales of judgments given by the courts of most EU member states in civil and commercial matters
Commitment Method	The commitment method for calculating leverage as prescribed under Article 8 of the AIFMD, which excludes certain hedging instruments from the calculation
Company or AIF	UK Commercial Property REIT Limited
Company Secretary	Northern Trust Fund Administration Services Limited
Conduct Risk Committee	abrdrn's formal committee for overseeing, among other matters, the Conduct Risk Policy
Conduct Risk Policy	abrdrn's documented policy regarding treating customers fairly
CoSec Agreement	the company secretarial agreement between the Company and the Company Secretary dated 29 October 2015
Conflicts of Interests Policy	abrdrn's documented conflicts of interests policy
Depository	Citibank UK Limited (previously Citibank Europe Plc), a public limited company having its registered office at Canada Square, Canary Wharf, London, E14 5LB.
Depository Agreement	Depository agreement among the Company, Standard Life Investments (Corporate Funds) Limited and the Depository dated 14 July 2014, and novated Standard Life Investments (Corporate Funds) Limited to the Manager on 10 December 2018
ESG	Environmental, social and governance
FCA	The Financial Conduct Authority
FCA Handbook	The FCA's Handbook on rules and guidance
FSMA	Financial Services and Markets Act 2000, as amended
Gross Method	The gross notional method for calculating leverage as prescribed under Article 7 of the AIFMD, which includes certain hedging instruments within the calculation
Investment Manager	abrdrn Investments Limited
Investment Management Agreement	Investment management agreement between and the Investment Manager dated 7 July 2014, and novated by Standard Life Investments (Corporate Funds) Limited to the Manager on 10 December 2018
Leverage	Any method by which the AIFM increases the exposure of the Company whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means
Liquidity Policy	abrdrn's documented policy regarding liquidity risk management
Management Agreement	Management agreement between the Company and Standard Life (Corporate Funds) Limited dated 7 July 2014 as novated to the Manager on 10 December 2018
Net Asset Value or NAV	The net asset value of the Company
Ongoing Charges	Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the Association of Investment Companies' industry standard method
Registrar	Computershare Investor Services (Guernsey) Limited
Shareholders	Shareholders in the Company
Stockbroker	JP Morgan Cazenove

Valuation Policy

abrdn's documented valuation policy regarding the production and oversight of net assets values of collective funds in the Europe, Middle East and Africa region

Other important information:

Issued by abrdn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Registered Office: Bow Bells House, 1 Bread Street, London, EC4M 9HH. Registered in the United Kingdom No. 00740118. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.

Appendix to Pre-investment Disclosure Document

abrdr Fund Managers Limited: Risk management

Risk Management function

abrdr plc, and its subsidiaries (together “the Group”), is committed to building and continuously improving a sound and effective system of internal control and a risk management framework that is embedded within its operations; this is the Group’s first line of defence.

The Group’s Risk Division, as the second line of defence, exists to support management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Conduct & Compliance, Operational Risk and investment risk Oversight. The team is headed by the Group’s CRO, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group’s operational risk management system (SHIELD).

The Group’s Internal Audit Department is independent of the Risk Division and reports directly to the Group CEO and to the chair of the Audit Committee of the Group’s Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group’s control environment; it is the Group’s third line of defence.

The Group’s corporate governance structure is supported by several committees that bring together Group’s subject matter experts from different departments, to assist the Boards of Directors of abrdr plc, its subsidiaries and the funds to fulfil their roles and responsibilities. The Group’s Risk Division is represented on all committees, with the exception of those that deal with investment recommendations to the Boards. The specific goals and guidelines on the functioning of these committees are described in their respective terms of reference.

Description of the process of identifying, assessing and managing risks

- **Market risk:** Is monitored through factor modelling used to calculate both absolute and relative ex ante quantities such as tracking error (TE) and Value at Risk (VaR). The VaR is computed on a NAV basis as the maximum loss that the portfolio should incur over 20 days, 99% of the time under normal market conditions. The fund’s portfolio risks are decomposed into intuitive components to pinpoint areas of unexpected market risk. The techniques are applied to all relevant asset classes. The market risk is further monitored through the computation of the level of leverage by both the gross and net approach. The leverage is calculated by converting each FDI into the equivalent position in the underlying assets of those derivatives, on a NAV basis. The market risk linked to the concentration risk is mitigated through investment

restrictions set according to the basic principle of diversification.

- **Liquidity risk:** The Group has a Liquidity Risk Management Policy in place applicable to the funds and set out in accordance with its overall Risk Management Process, relative to the size, scope and complexity of the funds. Liquidity Risk is monitored on both the asset and liability sides. To measure and monitor asset liquidity risk the Group employs a number of methods specific to the underlying assets. In all cases, the approach is to reference the actual holdings of the sub-fund against a true measure of the market at both an aggregate and a position level. The Group has implemented a Group Pricing Policy which details the operational responsibilities for pricing assets, this policy is owned and overseen by the Group pricing Committee. On the liability side, investor transactions and, beyond this, investor behaviour are the main driver of liquidity within each sub-fund. In this context, the articles and prospectuses contain certain key provisions or limits which provide protection to the funds and ultimately investors, in situations where liquidity might become a concern. In addition, the fund receives and analyses periodic reports in respect of the shareholder concentration within each sub-fund. Any shareholder concentrations and transactional behaviour are identified at sub-fund level and any particular concerns noted are escalated to the relevant Group Committee and respective Boards, if material.
- **Credit and counterparty risk:** The credit and counterparty risks linked to derivatives transactions are managed through processes outlined in the Group’s Counterparty Credit Risk Policy. This Policy underpins on the following principles: Internal Credit assessments; credit limits; exposure calculation and oversight and Control. Credit research on counterparties is carried out by the Credit Investment Team. Research is conducted on the basis of qualitative and quantitative analysis and is presented for discussion at the Credit Committee on a monthly basis. Each counterparty is reviewed at least once per annum. Furthermore the Risk and Exposure Committee (REC) and/or credit Committee can impose house level restrictions on concentrations. Credit risk exposures are calculated net of collateral received. The methodology for calculating an amount for potential exposure arising from movements in mark to market is approved by the REC. Acceptable collateral and other commercial and credit terms for inclusion in the International Swap and Derivative Association (ISDA) documentation is defined in the Group Derivative Management Policy. Counterparty credit exposures are monitored against internal limits by an investment control team and monitored by the Group Credit Committee and Risk and Exposure Committee.
- **Legal risk:** All key contractual arrangements entered into by the funds are reviewed by the Legal Department and, where required, by external legal counsel. If these contracts refer to delegation arrangements, where

applicable, there is an operating memorandum defining information flows between the parties, frequency of services and deadlines, a clear attribution of rights and responsibilities of each party and, when applicable, the key performance indicators to measure performance. Any litigation issues are also handled by the Legal Department.

Each OTC derivatives are framed within the legal provisions of the ISDA Master agreement which defines the rights and obligations of parties engaging in derivatives trading. The ISDA master agreements are negotiated and signed between each umbrella/sub-fund and the counterparty. The Credit Support Annex (CSA) is a legally binding document which is annexed to the ISDA agreement and details the Minimum Transfer Amount (MTA) or collateral required by AAML when engaging in OTC derivatives trading with counterparties. The Group Derivative Management Committee is responsible for approving the commercial terms associated to derivative documentation for the Group.

- **Tax risk:** The Group uses external tax consultants to advise on tax structuring, transactions and tax reporting.
- **Operational risk:** The Operational Risk Management Framework ensures that the operational risks taken and their contribution to the overall risk profile are accurately measured on the basis of sound and reliable data and that the risk measurement arrangements, processes and techniques are adequately documented. The identification, measurement, management and monitoring of operational risk within the Group are achieved through the use of the Group's Operational Risk Management Framework System, SHIELD. This system provides the following key Risk Management Modules:
 - *Event Management:* This module serves as a historical loss database, in which any operational failures, loss and damage experience (Events) will be recorded. The records include professional liability damages. The process for recording, investigation and mitigation of Events aims to ensure that they are not repeated.
 - *Issues and Actions Plan:* The issues and actions module provides a standardised mechanism for identifying, prioritising, classifying, escalating and reporting internal audit findings and other on-going / unresolved matters impacting the Group from a risk or regulatory perspective (Issues).
 - *Risk and Control Self Assessment (RCSA):* The RCSA process is to ensure key risks and key controls are identified and managed effectively in order to satisfy, at a Group level, Internal Capital Adequacy (ICAAP) requirements. The RCSA also provides a systematic and holistic means of identifying risk and control gaps that could impact business or process objectives which are agreed by senior management to complete.

- *Business Continuity Plan (BCP):* Is in place and designed for invocation where there has been significant disruption to normal business functions at any abrdn plc office that is likely to last longer than 24 hours.

Measuring risk

Where appropriate the Group applies the following measurements for each fund:

- **Leverage:** Has the effect of gearing a fund's expected performance by allowing a fund to gain greater exposure to underlying investment opportunities (gains and losses). The higher the leverage the greater the risk (potential loss).
- **Volatility, Value-at-Risk (VaR) and Conditional VaR (CVaR):** Volatility measures the size of variation in returns that a fund is likely to expect. The higher the volatility the higher the risk. VaR measures with a degree of confidence the maximum the fund could expect to lose in any one given day, assuming a normal (Gaussian) distribution, this is a function of the volatility of the fund. The higher the volatility, the higher the VaR, the greater the risk. CVaR calculates the expected loss, under the assumption that the VaR has been reached.
- **Tracking error (TE):** Measures the expected magnitude of divergence of returns between the fund and benchmark over a given time.
- **Systematic and stock specific risk:** Systematic risk represents the proportion of a fund's risk that is attributable to market exposure; and specific risk represents the risk that is intrinsic to individual stocks (i.e. particular to a given stock's attributes).
- **Stress test and scenario analysis:** Captures how much the current portfolio will make or lose if certain market conditions occur.
- **Concentration risk:** By grouping the portfolio through various different exposures: country, sector, issuer, asset etc., to identify where concentration risk exists.

Escalation and reporting

The Group recognises timely and adequate reporting measures as well as escalation channels to be key components of the control process and management of risk.

The Risk team provide regular updates to the Board/senior management on the adequacy and effectiveness of the Risk Management Process indicating, where applicable, actual or anticipated deficiencies and the remedial measures.

In addition, all issues and events impacting any Group entity or the funds are logged in SHIELD, by the relevant area within the prescribed time limits.