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abrdrn Global Real Estate Fund

Quarterly Update – Q1 2024



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. There is no certainty or promise that the Performance Target will be achieved.

Economic overview

- We expect the US Federal Reserve, the European Central Bank, and the Bank of England to all begin cutting interest rates later in the year. But this timing is data dependent and could slip if inflation proves more resilient. Our assessment of neutral interest rates means policy rates could eventually get back to 2-3%.
- By contrast, the Bank of Japan may hike interest rates modestly further, as the Shunto wage negotiations continue to come in strong. That said, the hiking cycle is likely to be limited as underlying growth is sluggish and there is mixed evidence that Japan has permanently escaped low inflation.
- Chinese monetary and fiscal policy will continue to ease, which should support an improvement in sequential growth. But constraints from the de-risking agenda, national security considerations, and the ongoing headwind from property mean we forecast 2024 GDP growth to be below policymakers' target.
- Inflation is moderating in many emerging markets, helped by restrictive policy rates. Admittedly, there are last mile, and El Nino-driven inflation risks here too. But many emerging market central banks are starting to ease monetary policy, and the cutting cycle should eventually broaden from Latin America to Asia.
- Indian growth will moderate in 2024, but the economy should remain a global outperformer thanks to favourable structural tailwinds. Reform momentum after Modi's almost-certain re-election is key to further boosting optimism towards the economy.
- Trump remains the front-runner in the US Presidential election, although much still depends on the state of the economy and legal issues. A second Trump term would have widespread implications for trade, fiscal, foreign, and monetary policy. Higher tariffs would put upward pressure on inflation and the dollar, and weigh on growth. Extending tax cuts could support growth, but also give a boost to inflation. The constellation of policies may depend on the composition of Congress, with the combination of a Trump second term and a split Congress potentially seeing the largest focus on tariffs.



abrdrn Global Real Estate Fund

Quarterly Update - Q1 2024



Fund positioning

Top 10 direct assets	Fund (%)
48/48A, 52/54 and 56 Peck Seah Street	11.1
DC Goossens, Veghel, The Netherlands	10.5
44 Esplanade, Jersey, St Helier, Jersey	8.8
WTC Almeda Park Building 4, Barcelona	8.3
11 Amour Street, Milperra	7.1
Galeria Gniezno, Palucka 2, Gniezno	6.7
432 St Kilda Rd, St Kilda, Melbourne, Victoria	5.8
3 & 5 Custom House Plaza, IFSC, Dublin 1	5.8
Niu Fury, Munich, Germany	5.0
3-5 John Morphett Place, Erskine Park, Sydney, NSW	4.3

Figures exc Cash.

Fund facts

Fund size	£391.7m
Average lot size	£21.4
Average lease length ¹	6.7 years
Number of direct properties	13
Number of tenancies	83
Distribution yield ²	4.6%
Standing Void ³	13.04%

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 10 tenants (Direct only)	Contracted Rent (%)
Ogier	13.9
Goossens	12.8
Revlon	10.0
Citco	7.2
Novum Hotels Sub GmbH	7.1
Jamestrong Packaging Australia Pty Ltd	6.1
Kohler	5.3
Acrow Formwork and Scaffolding	4.3
Coil Steels Group Pty Ltd	3.2
Castorama	2.9

Figures exc Cash.

Top 5 listed holdings

	Fund (%)
Prologis Inc	1.9
Equinix Inc	1.4
Goodman Group	1.4
Digital Realty Trust Inc	1.3
CTP NV W/I	0.8

Figures exc Cash.

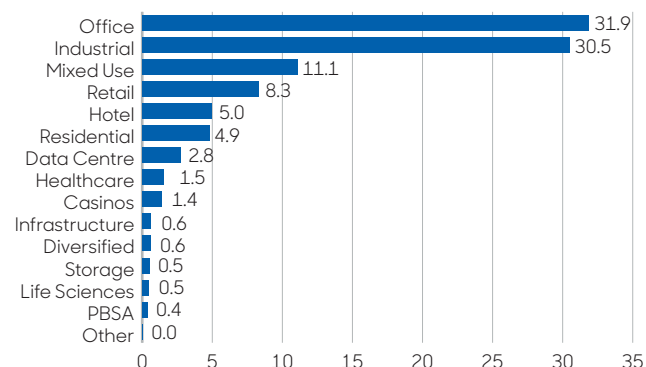
Performance - % growth	3 mths	6 mths	1 yr	3 yrs	5 yrs
abrdrn Global Real Estate Fund	-1.59	0.19	-0.69	2.18	1.82
Benchmark ⁴	1.23	2.47	5.00	5.00	3.65

Fund performance is quoted net of Platform 1 fees.

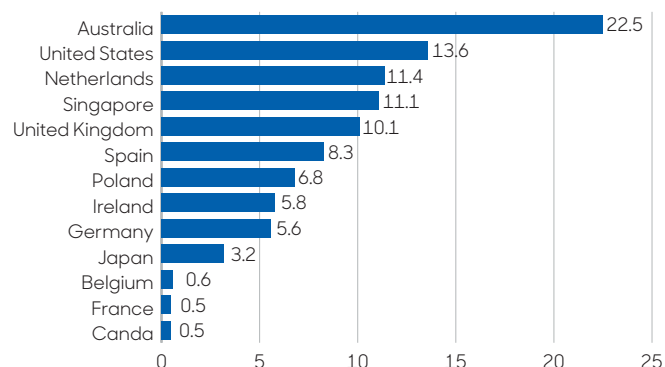
Returns over 1 year are annualised.

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



Geographical breakdown



⁴ 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.



abrdrn Global Real Estate Fund

Quarterly Update – Q1 2024



Portfolio update

Within the direct portfolio, at the Barcelona office asset, the anchor tenant Revlon has chosen not to exercise its break option, which confirms their continued occupation until December 2029. This coupled with successful asset management initiatives at the Dublin and Jersey assets means that over the last 13 months, we have successfully been able to extend the Fund's three largest office tenants by rental income.

On the listed side, we trimmed our exposure to Equinix following the issuance of a short seller report, the veracity of which was difficult to immediately gauge. To maintain our exposure to the favoured data centre sector, we recycled the proceeds into Digital Realty.

We reduced exposure to retail-focused Regency due to the perceived lack of a short-term performance catalyst and recycled proceeds into healthcare company Welltower due to the sector's strong supply/demand dynamics and strong management team.

During the quarter, we worked through pre-completion actions on the newly constructed logistics warehouse in Cholet, Western France. The acquisition was completed following quarter-end. The purchase adds diversification by giving the Fund its first direct real estate exposure to France and diversifies the Fund's income expiry profile.

Performance review

During the first quarter, the institutional accumulation units returned investors -1.57%. The listed portion of the portfolio returned 0.37%, with the greatest positive contribution derived from the logistics-focused company Goodman.

Within the direct portfolio, the greatest detractor from returns was the Melbourne office, which fell in value by 15% across the quarter. There were also smaller negative capital movements at the Fund's Barcelona and Dublin office investments. The Australian and Dutch logistics assets once again proved to be resilient over the quarter.

Fund Outlook

While we expect the US Federal Reserve, the European Central Bank and the Bank of England to all begin cutting interest rates later in the year, the precise timing and number of cuts is data dependent and will be determined by the resilience (or otherwise) of inflation.

The decline in UK real estate capital values moderated in the later part of 2023 and there are signs of stabilisation in light of a brighter macroeconomic picture. UK investment volumes remain subdued, with a total of £9 billion worth

of transactions in the first quarter of 2024. Activity should pick up later in the year as more conviction from investors returns to the market.

In Europe, we believe that the vast majority of the capital correction that we have witnessed since June 2022 is now behind us. Transaction volumes remain low, as evidenced by the fact that European real estate investment volumes in the fourth quarter of 2023 were down 51% compared with the long-term average. Looking ahead, in this region, we prefer logistics, residential and most of the real estate 'alternative' sectors.

In Asia Pacific, we expect near-term capital returns to be muted. However, over the longer term, our base case is for interest rates to retreat to lower levels, which should support better capital returns over a more medium-term view.

In North America, we believe that office markets are nearing stabilisation, albeit the work-from-home trend is a long-term headwind for demand. Following elevated growth, a period of normalisation looks to be coming over the industrial sector, as there is an elevated supply of big-box industrials being delivered this year.

Fund Strategy

At quarter-end, the Fund held a combined cash and listed weighting of circa 30%. On completion of the Cholet acquisition, logistics will become the Fund's largest sector weighting, which aligns well with our performance expectation for the sector going forward.

Currently, we are evaluating divesting from assets that we expect to underperform over the medium term to ensure that we remain invested in resilient areas of the market.

In the second quarter, we will once again collate and submit energy/sustainability data to theGRESB benchmark, where we are hopeful of once again retaining the Fund's 4-star rating.



abrdrn Global Real Estate Fund

Quarterly Update – Q1 2024



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.
- 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.
- 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.
- 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 Mar 2024	31 Mar 2023	31 Mar 2022	31 Mar 2021	31 Mar 2020
abrdrn Global Real Estate Fund	-0.69	-3.65	11.48	-1.56	4.24
Performance Target: To generate a return of 5% per annum over rolling three year periods, after charges	5.00	5.00	5.00	1.23	2.08

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.



abrdn Global Real Estate Fund

Quarterly Update – Q1 2024



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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