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abrdn Global Real Estate Fund

Quarterly Update – Q3 2024



The abrdn 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.

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

abrdn 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

- US sequential inflation looks to have returned to a near inflation-target consistent run rate after a bumpy start to the year. While the year-on-year rates of inflation will stay elevated through the rest of the year due to base effects, we expect underlying inflation pressures to remain moderate. Shelter inflation has finally started to behave and, more fundamentally, wage growth is slowing in response to a cooler labour market.
- In the Eurozone, a tight labour market and strong real wage growth has helped return the economy to growth, but there are still significant regional differences. And the results of the French election will make France's fiscal and structural reform programme harder to execute.
- By contrast, the UK election result may help reduce political uncertainty and boost investment. The UK's fiscal space is extremely limited, even if the rules are tweaked to exclude the impact of monetary policy operations. So, Labour's growth strategy depends on planning reform, industrial policy, and closer relations with the EU. Successful structural reform should help to boost the UK's potential growth, but there are significant execution risks.
- The developed market easing cycle is well underway, and we expect the Fed to start cutting in September, with the BoE and the ECB both likely to deliver more rate cuts later this year. Further deterioration in the labour market could see a more rapid easing cycle this year and next. Indeed, low equilibrium rates means there is ample scope to cut before policy reaches neutral.
- Japan is an important exception to developed market easing, with important implications for the yen carry trade. We expect the BoJ to hike its policy rate further this year, but Japan's exit from deflation is only half convincing, which should mean the pace and extent of tightening is relatively modest.
- Biden's withdrawal from the presidential contest has made the race more competitive, but Trump remains the favourite. A Harris presidency would represent broad economic policy continuity. The impact of a Trump presidency is uncertain, and depends on the mix of tax, regulatory, tariff and immigration policy. It is possible that Trump pursues more "market friendly" policies, but the overall policy stance is likely to be more inflationary.



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Fund positioning

Top 10 direct assets	Fund (%)
48/48A, 52/54 and 56 Peck Seah Street	11.9
DC Goossens, Veghel, Doornhoek 3865, Veghel, The Netherlands	11.1
44 Esplanade, Jersey, St Helier, Jersey, JE4 9WU	9.5
11 Amour Street, Milperra, NSW	7.7
Galeria Gniezno, Palucka 2, Gniezno, 62210	6.9
432 St Kilda Rd, St Kilda, Melbourne, Victoria	5.8
3 & 5 Custom House Plaza, IFSC, Dublin 1	5.7
Niu Fury, Munich, Germany	5.2
Cholet, Nantes	5.1
3-5 John Morphett Place, Erskine Park, NSW 2759	4.7

Figures exc Cash.

Fund facts

Fund size	£361.8m
Average lot size	£19.9m
Average lease length ¹	6.6 years
Number of direct properties	13
Number of tenancies	84
Distribution yield ²	2.32%
Standing Void ³	12.76%

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 30/06/2024.

³ Void rate excluding development and major refurbishment.

Top 10 tenants (Direct only)	Contracted Rent (%)
Ogier	15.3
Goossens	13.4
Citco	7.5
Novum Hotels Sub GmbH	7.5
Jamestrong Packaging Australia Pty Ltd	6.5
Le Roy Logistique	5.9
Kohler	5.8
Acrow Formwork and Scaffolding	4.8
Coil Steels Group Pty Ltd	3.6
Castorama	3.1

Figures exc Cash.

Top 5 listed holdings

	Fund (%)
Digital Realty Trust Inc	1.6
Welltower Inc	1.6
Equinix Inc	1.4
Goodman Group	1.1
Prologis Inc	1.1

Figures exc Cash.

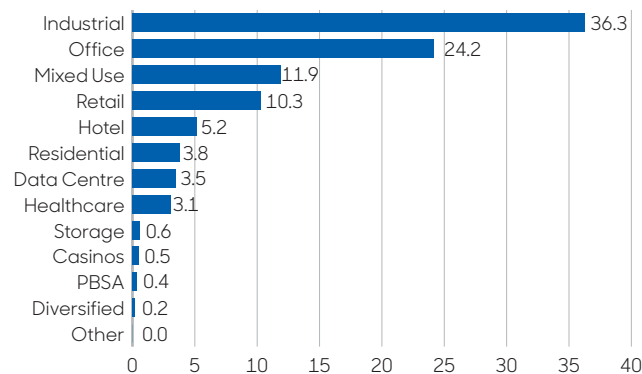
Performance - % growth	3 mths	6 mths	1 yr	3 yrs	5 yrs
abrdrn Global Real Estate Fund	1.69	0.99	1.22	0.52	0.56
Benchmark ⁴	1.23	2.47	5.00	5.00	2.68

Fund performance is quoted net of Institution Accumulation fees.

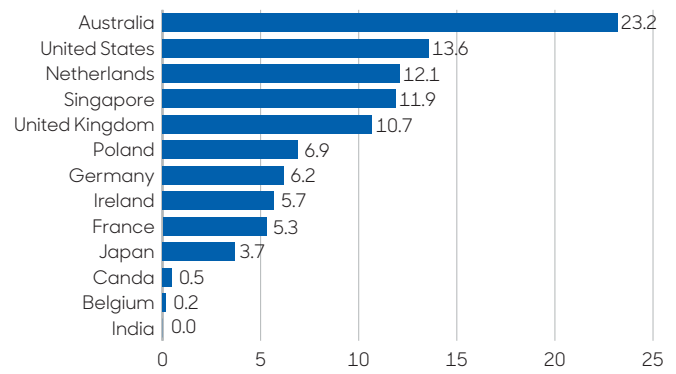
Returns over 1 year are annualised.

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



⁵ MSCI classify the Channel Islands as part of the UK for benchmarking purposes, this is the reason the asset in Jersey falls under the UK.



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Portfolio update

Within the listed portfolio, we trimmed exposure to US leisure-focused real estate investment trust Vici Properties due to our reduced degree of conviction in future earnings growth. The proceeds were recycled into US non-discretionary retail companies Brixmor and Kimco due to a more positive outlook underpinned by the resilience of the American consumer. We also added the healthcare name Ventas, which compliments the Fund's existing listed healthcare exposures to Healthpeak, Omega and Welltower.

Within the direct portfolio, we completed the disposal of the Fund's Barcelona office asset to a French institutional investor. Additionally, we have agreed on terms to dispose of one of the Fund's three Singaporean shophouses; the sale is an opportunity to partially exit an investment that has experienced substantial capital growth in recent years. Additionally, we have agreed on terms to sell the Fund's logistics asset at Erskine Park, Sydney. The counterparty is a special purchaser, and premium pricing has been achieved.

Performance review

During the third quarter, the Institutional accumulation units returned 1.69%.

The listed portfolio was buoyed by strong investor sentiment due to the anticipated interest rate-cutting cycle, with the portfolio returning 8.44% during the quarter. The greatest positive contributions were from the German residential company Vonovia (which released positive first-half 2024 results) and the US healthcare company Welltower (which also released robust financial results).

Within the direct portfolio, the greatest detractor was the Barcelona office, which fell in value to a level in line with the pricing agreed with the vendor. Despite the sale being completed below the undisturbed prevailing valuation, we felt this was the right course of action due to the inherent risks of continuing to hold an asset in a business park location.

There were also smaller negative valuation movements at the Fund's office assets in Dublin and Melbourne. The Fund's industrial asset in Melbourne experienced a modest increase in value, as the tenant Acrow's rent-free period comes to an end and the asset becomes closer to being income-producing.

Fund Outlook

The global economy is experiencing a slowdown, yet a soft landing remains our base-case scenario for the US, and we do not expect a recession overall. Growth is projected to fall below 2% annualised in the second half of 2024, supported by strong consumer and corporate balance sheets and easing price pressures. The US Federal Reserve has initiated a robust easing cycle, cutting rates by 50 basis points in September 2024 and signalling further reductions by the end of the year. In Europe, economic growth has shown resilience despite geopolitical and fiscal challenges. The UK recorded a robust 0.5% growth during the second quarter of 2024, while the broader eurozone experienced mixed performance. Southern European economies continued to grow at a healthy pace, whereas Germany and France stagnated as industrial output waned.

The real estate market is moving onto a stronger footing. We upgraded our multi-asset investments house view recommendation for global direct real estate to an overweight position in September this year. The UK and Europe are at the forefront of the recovery, followed by the US while Asia Pacific is lagging. In Europe, direct real estate performance is expected to improve, driven by lower interest rates and rising rents. Rents are rising at healthy rates in the residential and logistics sectors too. The UK is ahead of the overall recovery, already seeing positive total returns in residential, industrial and hospitality segments.

In the Asia-Pacific region, the real estate market recovery is expected to be more gradual, with potential value-add opportunities in newer central business district offices and the living sector. Tighter-than-expected supply pipelines should offer rental growth potential as the cycle evolves. The North American market fundamentals are more mixed, with strong demand through a resilient economic backdrop offset by a more significant supply situation, which is dampening rental growth. Overall, total returns have been upgraded to 6.9% per annum over the next three years, with Europe and the UK set to deliver the strongest performance regionally. Hotels, alternatives, logistics and residential are also forecast to outperform.

Fund Strategy

At quarter-end, following receipt of the Barcelona sale proceeds, the Fund held a combined cash and listed weighting of circa 27%. In the short term, we are focused on concluding the aforementioned pending transactions and reinvesting the proceeds into attractive opportunities in the listed sector which we anticipate will continue to benefit from the interest rate-cutting cycle.



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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	30 Sep 2024	30 Sep 2023	30 Sep 2022	30 Sep 2021	30 Sep 2020
abrdn Global Real Estate Fund	1.22	-3.64	4.13	2.78	-1.49
Performance Target: To generate a return of 5% per annum over rolling three year periods, after charges	5.00	5.00	5.00	3.73	-4.97

Source: Factset and abrdn.

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

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

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

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



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Important information

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

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

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