Q2 2019

Quarterly Commentary

Aberdeen Standard Investments

Aberdeen International Real Estate Equity Fund[1]

Fund performance

Aberdeen International Real Estate Equity Fund (Institutional Class shares net of fees)[2] returned 1.43% for the second quarter of 2019, outperforming the 0.10% return of its benchmark, the FTSE EPRA/NAREIT Global ex US Real Estate Index.[3]

Overall, country allocation was the largest contributor to the Fund's performance relative to the benchmark for the quarter. Stock selection also had a positive impact, albeit to a lesser extent. A main contributor to Fund performance at the country level was an underweight to the U.K., as these stocks continued to lag global peers given the overhang of Brexit and weakening economic growth. An overweight to Brazil was also beneficial, as it was buoyed by progress toward pension reform, which is seen by the market as a key test of President Bolsonaro's ability to execute his reform agenda. Among individual holdings, the largest contributors included overweight positions relative to the benchmark in MRV Engenharia e Participacoes S.A., Interxion and Prologis, the latter two of which are not constituents of the benchmark FTSE EPRA/NAREIT Global ex US Real Estate Index. MRV, a Brazilian residential developer, benefited from the political reform momentum noted earlier. Interxion saw share price strength driven by optimism over the pricing environment for colocation services in the European datacenter industry, in which it specializes. Finally, Prologis was supported by easing global trade tensions, which had weighed somewhat on its share price earlier in the year.

On the downside, the main detractors from the Fund's relative performance were stock selection within Japanese developers, and individual stock positions in CK Asset and Dalata Hotels, the latter of which is not a constituent of the benchmark. Within Japanese developers, the Fund lacked exposure to Mitsubishi Estate, which posted strong performance on the back of a package of measures announced to improve shareholder governance and returns. By contrast, Sumitomo Realty & Development, a Japanese developer in which the Fund is overweight, generated weak results attributable in part to the decision not to pursue similar measures. CK Asset is a Hong Kong property-development business. Its shares sold off alongside the broader Hong Kong market due to a combination of adverse market sentiment on U.S.-Chinese trade negotiations, and concerns about how this might impact property markets in the territory. Finally, Dalata Hotels, a business which owns and operates hotels in the U.K. and Ireland, experienced share price weakness. This was partially due to weak trading results from UK hotel peer Whitbread which led the market to reappraise prospects for revenue growth in the UK hotel market.

Fund activity

The main activity in the Fund over the quarter was the readjustment of the Fund's holdings in Japan. We exited the positions in Japan Retail Real Estate Investment Trust (REIT) and Hulic REIT in recognition of a lack of catalysts for performance. This capital was reinvested into LaSalle Logiport, a Japanese REIT, and Comforia, a residential REIT. We also trimmed positions in some of the Fund's smaller-office REITs in Japan, which had performed very strongly. Those proceeds were invested into securities

[1] The Fund acquired all of the assets and liabilities of the Alpine International Real Estate Equity Fund (the "Predecessor Fund"), a series of Alpine Equity Trust, in connection with a reorganization that occurred as of the close of business on May 4, 2018. Aberdeen Asset Management Inc. became the investment adviser effective upon the closing of the reorganization. The Predecessor Fund was managed by a different investment adviser. The returns presented for the Fund before May 5, 2018, reflect the performance of the Predecessor Fund

[2] ***The performance quoted represents past performance, which does not guarantee future results. Class A shares have a 0.25% 12b-1 fee. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling 800-387-6977 or visiting aberdeen-asset.us.***

[3] The Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts (FTSE EPRA/NAREIT) Global-ex US Real Estate Index is an unmanaged index considered representative of real estate companies and REITs outside the US. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Index performance is not an indication of the performance of the Fund itself. For complete fund performance, please visit aberdeenstandard.us.

offering more attractive valuations, including Tokyu REIT and Japan Real Estate Investment Corp. Among the Japanese developers, we exited Kenedix, given concerns about the hardening regulatory environment, and switched into Tokyu Fudosan, for which we believed the valuation was more attractive.

In Australia, we added to the Fund's position in Dexus as part of a capital increase. In Hong Kong, we took advantage of the recent sell-off in the market to add Sino Land to the portfolio, in recognition of its attractive valuation and strong balance sheet. Finally, in Europe, we exited Merlin Properties and VGP, taking profits after outperformance. We also reduced the Fund's weighting in Dalata Hotels to reflect the potential impact from weakness in the U.K. hotel market. Elsewhere, we reduced the Fund's weighting in Deutsche Wohnen to reflect the potential adverse impact to asset values from the Berlin Senate's surprise proposal to implement a five-year rent freeze. We reinvested into Entra Properties, an office landlord in Norway focused on the Oslo market, where the placing of stock by the government offered an attractive entry price to a market with strong fundamentals.

Market review

After the strong recovery seen in financial markets in the first quarter of the year, second quarter performance was more muted. The global real estate securities market, as measured by the FTSE EPRA/NAREIT Global ex-US Index, returned 0.10% and underperformed the 3.80% return of global equities, as measured by the MSCI All Country (AC) World Index,[4] during the second quarter. With improving investor risk appetite supported by easing trade tensions as the U.S. and China have restarted talks, emerging-market real estate securities again performed well. Brazil, the United Arab Emirates, Indonesia and Thailand all outperformed the FTSE EPRA/NAREIT Global ex-US Index.

The UK was once again the worst performing of the developed real estate markets globally in the quarter. This was partially due to the depreciation in the pound on the back of hardening Brexit rhetoric from the ruling Conservative party. Continental Europe also posted weak results, dragged down by the German residential sector, where the Berlin Senate's proposal for a five-year rent freeze triggered significant share price declines. Retail REITs continued to show weakness across the U.K. and Europe in recognition of the ongoing pressure on capital values and rents from structural change as retail sales move online. By contrast, there was strong performance for the German commercial landlords and industrial specialists across Europe.

In the Asia Pacific region, share-price performance continued to be dictated by an ever-changing and volatile economic and geopolitical outlook centered on the U.S.–China trade tensions. In this context, investors continued to seek yield and relative safety, driving continued outperformance of REITs and landlords versus developers. This was reflected in underperformance for the developer-focused real estate equity

Aberdeen International Real Estate Equity Fund Total Returns (%)

	Cumulative as of Jun. 30, 2019			Annualized as of Jun. 30, 2019				
	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception 12/30/11
Class A w/o sales charges	3.02	1.35	16.72	2.71	6.88	0.35	—	4.81
Class A with sales charges	-2.91	-4.48	10.01	-3.19	4.79	-0.83	—	3.99
Institutional Class	3.04	1.43	16.84	3.02	7.14	0.60	5.47	4.74
MSCI EAFE Index**	5.97	3.97	14.49	1.60	9.65	2.74	7.40	4.93
FTSE EPRA/NAREIT® Global ex-U.S. Index	3.58	0.10	14.29	7.83	9.03	5.03	8.58	—

Annual Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011
Class A w/o sales charges	-16.64	31.87	-7.26	-3.18	-4.42	-2.45	32.43	—
Institutional Class	-16.41	32.18	-7.05	-2.96	-4.15	-2.12	32.75	(28.82)
MSCI EAFE Index**	-13.36	25.62	1.51	-0.39	-4.48	23.29	17.90	(11.73)
FTSE EPRA/NAREIT® Global ex-U.S. Index	-7.06	26.45	1.78	-3.50	3.61	2.12	38.98	-17.50

Minimum Initial Investment (A, Inst.): $1,000, $1,000,000. Gross/Net expense ratio as of most recent prospectus (A; Inst.): 1.66%/1.62%; 1.38%/1.37%. Annual distributions/annual capital gains. Expenses stated as of the Fund's most recent prospectus. All classes of the Fund have contractual waivers in place and may not be terminated before 5/4/20 without approval of the Independent Trustees.

** The inception date for benchmark performance data is 2/1/89, which is the inception date of the Institutional Class share, the oldest share class of the Fund.

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. The performance data quoted represents past performance and current returns may be lower or higher. Class A shares have up to a 5.75% front-end sales charge and a 0.25% 12b-1 fee. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, which may be higher or lower than the performance shown above, please call 866-667-9231 or go to aberdeen-asset.us.

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[4] The MSCI AC World Index is an unmanaged index considered representative of stock markets of developed and emerging markets.

markets in Hong Kong and China. Markets with a far greater focus on REITs, such as Singapore and Australia, performed strongly. REITs were already trading at strong valuations, but the quarter saw valuations increase even further. Unsurprisingly, these strong valuations drove REITS in Japan, Singapore and Australia alike to tap the markets for equity. In Japan, results reported by the developers saw a continued improvement in shareholder payout ratios, with Mitsubishi Estate and Nomura Real Estate both surprising the markets with better-than-expected outcomes in terms of dividends or share buybacks. Mitsubishi Estate, in particular, announced a buyback that amounted to approximately 5% of outstanding shares, taking total shareholder payout for the fiscal year ended March 31, 2019, to more than 100%—the highest ever by any Japanese developer. The markets took this as a positive development, although management left the outlook for total payout purposely vague, raising uncertainty as to the sustainability of this heightened payout ratio. Regionally, office, industrial and multi-family remain favored sectors, while retail continues to be under pressure.

In the Americas region, performance for the U.S. and Canada was broadly in line with the FTSE EPRA/NAREIT Global ex-US Index, as the prospect of U.S. Federal Reserve interest-rate cuts supported share prices after the strong recovery in the first quarter. In Latin America, Brazil generated very strong performance, supported by progress on pension reforms.

Outlook

We maintain the Fund's focus on companies that we feel will benefit from strong real estate fundamentals, combining cyclical factors and long-term secular trends. We maintain our view that at this stage in the capital cycle, stocks benefiting from rental growth and value-adding development should outperform against the backdrop of a benign interest-rate environment. Central banks moving from a modest tightening bias to a modest easing bias should be further supportive of real estate capital values.

The Fund's country positioning remains overweight in the Americas, where economic growth is supportive of property fundamentals in the U.S. and Canada, particularly given the potential tailwind of near-term rate cuts. The Fund's overweight in Continental Europe has been reduced to reflect prospective returns that have converged with those in other developed markets as the cycle has matured, along with political challenges in the German residential sector. The Fund remains underweight the U.K. in recognition of Brexit risks, both to property markets and currency, but also generally weak economic fundamentals. The continued underweight position in Australia reflects the Fund's lack of exposure to the structurally challenged retail sector, while an underweight in Singapore is driven by challenging valuations.

Within emerging markets, the Fund's exposure remains focused on China and Latin America. In China, a small underweight is mainly driven by the current positive sentiment on U.S.-China trade negotiations which have driven valuations back toward recent highs. However, we expect Chinese property stocks to remain volatile reflecting the changes in macro and political sentiment toward the country. Elsewhere, the Fund's Latin American exposure is focused on Brazil, in reflection of political catalysts as pension and other reforms progress, and Mexico, where high dividend yields are attractive in an environment of near-term monetary easing.

Top Ten Fund holdings (as of Jun. 30, 2019)

	% of Fund
CK Asset Holdings	3.94
Link Real Estate I	3.91
Mitsui Fudosan Co.	3.47
Goodman Group	3.36
New World Devel Co.	3.14
SEGRO PLC	2.73
Vonovia SE	2.72
China Res Land	2.66
Sumitomo Realty & Development	2.60
Gecina	2.30
Percent of Portfolio in Top Ten	**30.84**

Figures may not sum due to rounding.
Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown.

Portfolio characteristics (as of Jun. 30, 2019)

	Fund	Benchmark
Number of Holdings	62	351
Market Cap (M$)	13,291	915,122
Beta	0.97	1.00
Alpha	-1.40	0.00
Standard deviation	12.12	11.74
R-Squared	87.92	100
Sharpe ratio	0.44	0.62

The beta, alpha, standard deviation and R-squared are based on a 36-month rolling period. Beta is a measure of the volatility of a portfolio in comparison to a benchmark index. Alpha is a measure of performance that takes the volatility of a mutual fund and compares its risk-adjusted performance to a benchmark index. Standard deviation measures historical volatility. R-squared is a statistical measurement that determines the proportion of a fund's return that can be explained by variations in the market, as measured by a benchmark index. Sharpe ratio measures risk-adjusted performance.

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IMPORTANT INFORMATION

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.
Aberdeen Standard Investments is a brand of the investment businesses of Standard Life Aberdeen plc, its affiliates and subsidiaries.

The Fund is subject to concentration risk, meaning the Fund may concentrate portfolio assets in companies within the same or related industry. Therefore, the Fund is more exposed to volatility within that industry than a fund that was not concentrated.

Investments in real estate securities may involve greater risk and volatility including greater exposure to economic downturns and changes in real estate values, rents, property taxes, interest rates, tax and other laws. A REIT's share price may decline because of adverse developments affecting the real estate industry.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards, and currency exchange rate, political and economic risks. Fluctuations in currency exchange rates may impact a fund's returns more greatly to the extent the fund does not hedge currency exposure or hedging techniques are unsuccessful. These risks are enhanced in emerging markets countries.

Equity securities of micro-, small and mid-cap companies carry greater risk, and more volatility than equity securities of larger, more established companies.

The Fund may invest in Illiquid securities which involve the risk that the securities will not be able to be sold at the time or prices desired by the fund, particularly during times of market turmoil.

Investing in mutual funds involves risk, including possible loss of principal. There is no assurance that the investment objective of any fund will be achieved.

Investors should carefully consider a fund's investment objectives, risks, fees, charges and expenses before investing any money. To obtain this and other fund information, please call 866-667-9231 to request a summary prospectus and/or prospectus, or download at www.aberdeen-asset.us. Please read the summary prospectus and/or prospectus carefully before investing any money.

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