

Aberdeen Standard Pan European Residential Property Fund

August 2019

For professional investors only, in Switzerland for Qualified Investors only – not for use by retail investors or advisers

A Core fund investing in sustainable residential property across Western Europe

Investment objective and strategy

The Aberdeen Standard Pan European Residential Property Fund SICAV-RAIF (ASPER) is an open-ended, core fund designed for institutional investors which aims to deliver income and capital growth by investing in large, high quality, sustainably constructed, purpose built residential blocks in "triple A" locations (that provide Accessibility, Amenity and Affordability for the occupier).

ASPER pursues a strategy that has ESG principles at its core, and which is focused on achieving strong, defensive returns from the western European residential sector, with a multi-country approach that reduces risk through diversification.

Residential property exhibits very strong demand/supply fundamentals, particularly in Europe's leading cities. In these 'winning cities' there is significant growth potential achievable via improved operational efficiency, and by tapping into increasing demand in the rental market. ASPER seeks to invest in new and modern stock, and pursues active management during holding periods in order to enhance performance in a controlled fashion, BUT does not engage in speculative property development.

The fund has a long-term absolute return target, comprising a net cash dividend return of 3-4% per year, and a total return of 5-7% per year.

Fund commentary

ASPER is managed by a highly experienced team located across three European countries, and is led by Marc Pamin who is based in Frankfurt. The team can call upon the wider resources of Aberdeen Standard Investments, Europe's second largest real estate investment manager, which includes approximately 235 dedicated property investment professionals operating out of 11 offices across the continent.

Investors

We established ASPER at the end of March 2018 with first-close commitments of €355.5 million. During 2018, we had two more closes, and with further commitments totalling €137 million won from new French, Dutch and German investors during the first half of 2019, ASPER's total capital commitments now stand at €542.2 million from 16 investors located in the Netherlands, Switzerland, Ireland, France, South Korea, Luxembourg, Germany and the UK. Both last year and into 2019, we have been effective and efficient in securing assets and allocating committed capital, and with a strong investment pipeline, believe that ASPER is well placed to continue to lead the pan-European residential market throughout 2019 with further closes expected during the year.

Transactions

In June 2018, ASPER made its first investment by acquiring a high quality core asset in Vienna's 3rd district. A month later, three further high quality properties were signed in the South Harbour of Copenhagen, 10th district of Vienna, and in Suresnes, Paris. In September, these acquisitions were followed by a portfolio asset transaction in the Helsinki Metropolitan area, and in late 2018 ASPER's first UK asset (in Birmingham) was acquired. During the first few months of 2019 a second asset in Copenhagen was contracted, as well as two new assets in Paris (Chatillon and Rueil). In June 2019, a portfolio of three Swedish was contracted, bringing ASPER's number of acquired assets to twelve. The fund also has six assets currently under negotiation - two in Frankfurt, three in Sweden (two in Stockholm and one in Lund) and one in Dublin.

In total, 2,400 apartments have been secured with a lettable area of approx.150,000 sqm. The market value of these acquired properties as at July 2019 was €762.6 million, with another €366.6 million in the pipeline.

Portfolio management

Local management expertise and resources are among our key strengths in Europe. Having native speakers on the ground, with local expertise and networks, is essential for maximising portfolio returns and optimising risk control. The current focus is on overseeing the development status of various asset construction phases, together with letting activities in respect of the standing investments in Copenhagen and the Helsinki portfolio, to achieve an occupancy rate close to 100%.

Key information

Legal structure	SICAV-RAIF
Domicile	Luxembourg
Risk style	Core
Launch	29 March 2018
Term	Open-ended, infinite
Investors	16 institutional investors
Geographic universe	Western Europe
Sector universe	Residential real estate
Target size (GAV)	EUR >1.5 billion
Current size (GAV)	EUR 466.5 million (30/6)
Minimum commitment	EUR 3 million
Current total commitments	EUR 542.2 million
Current investor queue	EUR 194.7 million; 1-2 quarters
Target return	Income return: 3-4% p.a. Total return: 5-7% p.a.
Currency	EUR
Leverage	Maximum LTV of 40% of GAV; Current LTV of 22.7% of GAV (30/6); Long-term LTV of 25% of GAV
Liquidity	Quarterly (3 year lock in with a max. 2 years for repayment)
NAV reporting frequency	Quarterly
External asset valuation	Quarterly. Valuation advisors rotated every 3 years
Annual management fee	
Tranching fund management fee structure:	
90bps on NAV for committed capital ≤ EUR 25m	
80bps on NAV for committed capital EUR 25-50m	
70bps on NAV for committed capital ≥ EUR 50m	
All figures (unless otherwise indicated) are as at 4 July 2019.	

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

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Continued overleaf

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Market outlook

European direct real estate in general is set for a period of slightly more benign performance, with moderate economic growth expected across the region. Whilst risks remain tilted towards the external environment and domestic growth drivers remain in better shape, we believe risk-adjusted returns for European real estate will continue to be attractive to many pools of capital.

Although cyclical drivers of real estate performance are slowing, we are of the view that the longer term fundamental drivers behind residential real estate performance remain intact. Major cities in Europe continue to grow its population, and the projected supply and demand balance for years ahead suggests rental growth above inflation for many European residential markets.

We continue to focus on newer, modern, and flexible assets in central locations. We monitor development levels, which have picked up in some markets, as higher levels of completions may have short-term effects on turnover, void rates and rental levels. Some of Europe's major cities saw a new supply of housing in 2018 that more or less matched the demand growth, but this only happened after a decade or so of undersupply. It should be noted that a lot of the new stock delivered has been in the more upmarket owner-occupier housing segment, rather than in the affordable units for rental space. We also expect the peak in this housing development activity to moderate.

Investor sentiment for residential remains very strong, and the relative attractiveness of this sector over more cyclical ones remains firm. Over the next three and five years, according to our latest House View, the residential sector in Europe will offer the highest Estimated Rental Value growth and total return. We forecast a total return of 6.4% p.a. over the next five years for the sector in aggregate, but strongly believe that performance will differ significantly from market to market and from asset to asset. As initial yields are at a relatively low level, the ability to manage the assets in a cost efficient manner is crucial in order to support a strong net cash flow to investors.

Important information

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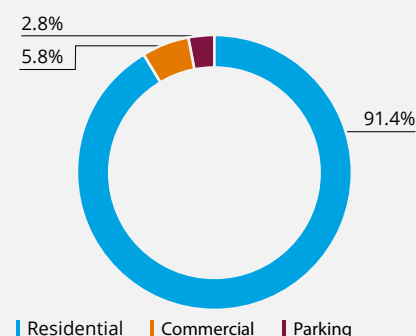
Property is a relatively illiquid asset class, the valuation of which is a matter of opinion. There is no recognised market for property and there can be delays in realising the value of assets. The capital value of investments and the income from them can go down as well as up, and an investor may get back less than the amount originally invested. Past performance is not an indication of future results.

Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. Professional advice should be obtained before making any investment decision.

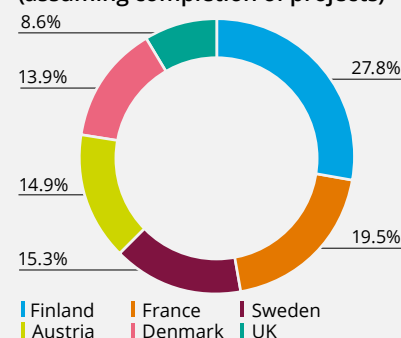
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"The longer term fundamental drivers behind residential real estate performance remain intact."

Sector allocation (assuming completion of projects)



Geographic allocation (assuming completion of projects)



Figures may not always sum to 100% due to rounding.

All figures (unless otherwise indicated) are as at 4 July 2019.

Investment universe



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