

Aberdeen Standard European Logistics Income PLC

Investment Trust

Analytics to 30 September 2018

Investment objective

To aim to provide a regular and attractive level of income return together with the potential for long term income and capital growth from investing in high quality European logistics real estate.

Strategy

To deliver the investment objective through investment in, and management of, a diversified portfolio of 'big box' logistics warehouses and 'last mile' urban logistics assets in Europe.

Fund managers' report

Market commentary

European logistics assets look set for another positive year of performance, thanks to strong demand and supply-side fundamentals and supportive capital markets conditions.. Strong domestic fundamentals are holding up well and we expect Europe to grow by 1.7% in 2019.

Logistics occupier market conditions are thriving as a result of the healthy economy and the strong tailwinds from last-mile and ecommerce supply chain requirements. Across the major European markets, take up exceeded 10 million square metres over the year to Q2 2018. After three years of strong growth, it is unsurprising that demand has fallen back by 14% compared to the previous year. In some areas, the lack of good quality space has restricted take up levels. We estimate that good quality European logistics vacancy remained below 5% in Q3 2018. The low vacancy rate reflects strong take-up activity and rising, but still limited, new speculative development. Construction activity reached a new record, exceeding 10 million square metres in 2017, driven by Germany, Poland and France. However, over three quarters of the total space under construction is build-to-suit, limiting the risk of oversupply in most locations. Speculative development remains constrained by a lack of appropriate sites, tough planning laws, expensive development finance and a preference amongst developers and investors to exploit high demand and low supply in the residential sector in particular.

Investment demand remains strong, with over €43 billion invested in European logistics over the year to Q3 2018. Competitive bidding on the best assets continues to support pricing trends. Sector differentiation is the widest ever recorded according to the latest investor sentiment surveys, with logistics in high demand and retail out of favour. Prime yields have fallen further from the lows of late 2017, as investors compete for income and increasingly the income growth prospects in some segments of the logistics market.

Our overall European logistics market return outlook remains positive in relation to other global markets. Across all real estate sectors in our House View, we increasingly favour logistics (urban and big box), while the prospects for other sectors such as offices and retail begin to soften either due to the cycle or structural headwinds.

Portfolio

The Fund has made good progress in deploying the initial capital raised and is now almost fully invested assuming successful closing of four deals with signed SPAs and a positive outcome after completion of the due diligence (DD) on three other transactions.

On the first of November the situation looked as follows:

- -3 transactions closed: EUR 91.1m (net purchase price for Avignon , Ede and Flörsheim),
- 4 transactions with signed SPAs: EUR 93.7m (Erlensee, Leon, Oss and Zeewolde)
- 3 transactions in DD: EUR 80.9m

The Fund is in the process of putting loans in place in Germany and France with fixed all-in interest rates well below 2% in order to complete the aforementioned transactions and further boost the income return.

^A Planned timetable once fully invested.

^B 0.75% per annum of net assets up to €1.25bn and 0.60% thereafter. No fee charged on uninvested funds until 75% of net proceeds have been invested.

^C Yields shown are estimates based on a snapshot of the portfolio and are not guaranteed. In accordance with the launch Prospectus, the company expects to pay, in aggregate, distributions totalling no less than 3.0p in respect of the period from initial admission to 31 December 2018.

Direct Property Holdings (%)	
Florsheim, Germany	100.0
Ede, Netherlands	100.0
Total	100.0

Geographic Breakdown (%)	
Germany	44.0
Netherlands	56.0
Total	100.0

Figures may not add up due to rounding.

Asset Allocation (%)	
Direct Property	22.8
Cash & Cash Equivalents	77.2
Total	100.0

Figures may not add up due to rounding.

Total number of investments at 30 September 2018	2
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Key information Calendar

Year end	31 December
Accounts published	April, September
Distributions ^A	March, July, October, December
Launch date	December 2017
Fund manager	Direct Property Team
Annual management fee ^B	0.75%
Yield ^C	1.6%
Premium/(Discount)	12.0%
Gearing	nil
Fund Size	€204.9m

AIFMD Leverage Limits

Gross Notional	3.65x
Commitment	1.85x

Capital structure

Ordinary shares	187,500,001
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Allocation of management fees and finance costs

Capital	0%
Revenue	100%

Trading details

Bloomberg code	ASLI LN
ISIN code	GB00BD9PXH49
Sedol code	BD9PXH4
Stockbroker	Canaccord Genuity
Market makers	CANA CFEP FIDA INV. JEFF JPMS NUMS WINS

All sources (unless indicated):
Aberdeen Asset Managers Limited 30 June 2018.

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Important information

Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

Risk factors you should consider prior to investing:

- The value of investments and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment trusts are specialised investments and may not be appropriate for all investors.
- Investment trusts can borrow money in order to enhance investment returns. This is known as 'gearing' or 'leverage'. However, the use of gearing can result in share prices being more volatile and subject to sudden or large falls in value. Where permitted an investment trust may invest in other investment trusts that utilise gearing which will exaggerate market movements, both up and down.
- There is no guarantee that the market price of the Trust's shares will fully reflect its underlying Net Asset Value.
- As with all stock exchange investments the value of the Trust shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- Investing globally can bring additional returns and diversify risk. However, currency exchange rate fluctuations may have a positive or negative impact on the value of your investment.
- The Ordinary Shares may trade at a discount to the Net Asset Value per Ordinary Share and Shareholders may be unable to realise their investments through the secondary market at the Net Asset Value per Ordinary Share.
- There is no assurance that the Fund will be able to secure suitable logistics assets. In the event that the Fund is unable to invest part or all of the proceeds of the Initial Issue in suitable European logistics assets, this may affect the Fund's ability to meet the Target Returns and may have an adverse effect on the Fund's performance, financial condition and business prospects.
- The Fund may hold a limited number of investments. If one of these investments declines in value this can have a greater impact on the fund's value than if it held a larger number of investments.
- Property values are a matter of the valuers' opinions and can go up and down. There is no guarantee that property values, or rental values from them, will increase so you may not get back the full amount invested.
- Property investments can take significantly longer to buy and sell than other investments, such as bonds and company shares. If properties have to be sold quickly this could result in lower prices being obtained for them.
- The Fund invests in a specialist sector and it will not perform in line with funds that have a broader investment policy.
- Derivatives may be used, subject to restrictions set out for the Fund, for efficient portfolio management in order to manage risk. The market in derivatives can be volatile and there is a higher than average risk of loss.

Other important information:

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