Q4 2018

Quarterly Commentary

Aberdeen Standard Investments

Aberdeen Global Premier Properties Fund[1]

Fund performance

Aberdeen Global Premier Properties Fund returned -8.77%[2] on a net asset value basis for the fourth quarter of 2018, underperforming the -4.79% return of its benchmark, the Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts (FTSE EPRA/ NAREIT) Global Index.[3]

Stock selection and, to a lesser extent, sector allocation, hampered the Fund's performance versus the benchmark during the quarter. In terms of stock selection, holdings in Europe (especially Germany), Japan and North America (most notably the U.S.) were the largest detractors from Fund performance. From a sector allocation perspective, the Fund's positions in German and Spanish real estate developers, along with an allocation to Japanese real estate services, none of which are represented in the benchmark index, weighed on performance for the quarter. The most significant individual stock detractors from Fund performance were positions in Instone Real Estate Group AG and AEDAS Homes, neither of which are constituents of the benchmark, along with an overweight position in Hammerson PLC. Instone Real Estate Group AG is one of Germany's leading residential developers and AEDAS Homes is a leading property developer in Spain. Shares of both companies declined during the quarter as high-risk, higher-beta[4] issues in Europe overall underperformed. Hammerson plc is a major British shopping mall owner/developer. The company was hampered by ongoing Brexit uncertainties and deterioration in the retail space in the UK, as investors were concerned about the holiday sales season.

The Fund's performance relative to the benchmark for the quarter benefited primarily from stock selection in Asia/Pacific ex-Japan (particularly China and Singapore) and Sweden. From a sector allocation perspective, Fund performance was supported by an underweight allocation relative to the benchmark to U.S. hotels & resorts REITs, and overweights to Chinese real estate developers and Japanese industrial companies. The most significant individual contributors to Fund performance included an overweight position relative to the benchmark in Welltower Inc., a holding in American Tower Corp., which is not a constituent in the benchmark, and an overweight position in Longfor Group Holdings, Ltd. Welltower Inc. is a U.S. healthcare REIT which benefited from investors' preference for more defensive, less economically sensitive companies amid a flight to quality over the quarter. In addition, Welltower was supported by stabilization in its senior housing portfolio and increased acquisition activity. Collectively, we believe that this could spur earnings growth and a potential increase in its dividend. Shares of cell tower owner and operator American Tower Corp. rallied during the quarter given the favorable resolution of a tenant issue that the company faced in India. Furthermore, spending by major cell phone carriers is rising as they transition to 5G technology. This has led to increased investor confidence in American Tower's future earnings growth.

[1] Prior to May 7, 2018, the Fund was named Alpine Global Premier Properties Fund.

[2] ***Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. Net asset value return data include investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.***

[3] The Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts (FTSE EPRA/ NAREIT) Global Index is a total return index that is designed to represent general trends in eligible real estate equities worldwide. 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.

[4] Beta is a measure of the volatility of a security in comparison to a benchmark index.

Longfor Group Holdings Ltd. is a Chinese developer focused primarily on residential projects in Tier 1 and Tier 2 cities.[5] Its shares rallied in the period given macroeconomic support by the Chinese government to spur growth in the country.

Fund activity

Many of the adjustments we made to the Fund during the fourth quarter continued our investment themes of the prior quarter. In Europe, while maintaining a significant overweight, we further pared the Fund's overweight exposure through additional reductions in Spain and the UK. In Spain, we exited the Fund's position in AEDAS Homes. In the UK, we exited a position in shopping-center owner Hammerson as we felt that that market fundamentals have continued to move against the company, likely making the implementation of its revised business strategy more difficult. This may reduce the probability of any merger and acquisition (M&A) activity in the near term, in our view.

In the Americas region, we continued to reduce the Fund's exposure to homebuilding by exiting the positions Howard Hughes Corp., a diversified real estate developer which is a major owner/developer of master-planned communities. We moved the Fund from an underweight to a modest overweight to the healthcare REIT sector, as we believe the sector's fundamentals are modestly improving and valuations remain reasonable. We increased the Fund's largest healthcare REIT position, Welltower, Inc., as well as smaller positions in Sabra Health Care REIT and Omega Healthcare Investors. We also increased the Fund's exposure to commercial mortgage REITs with the initiation of a position in Blackstone Mortgage Trust. We believe the company offers an attractive yield and anticipate that its franchise and platform could help it defend its business against increased competition in commercial lending. Other changes in the Americas included exiting the Fund's position in data center REIT CyrusOne. Despite continued growth in demand for data center space, we have some concerns about the declining profitability of the growth of data center providers. In Mexico, we continued to reduce the Fund's modest overweight by eliminating the small position in Grupo GICSA, a commercial developer.

In Asia, we increased the Fund's modest overweight allocation to China by adding to several existing positions. We initiated this overweight in the third quarter in response to what we believed was a shorter-term trading opportunity. In Hong Kong, we narrowed the Fund's underweight position with the initiation of a holding in Link REIT, a company we believe is a high-quality and defensive operator of urban retail assets focusing on everyday necessities. In Australia, we reduced the Fund's long-maintained underweight in retail with the addition of a position in shopping mall owner Scentre Group. While we feel that the long-term challenges in the retail sector will continue, we believe that the combination of undemanding valuation and potential catalysts make Scentre Group an attractive opportunity.

Market review

U.S. REITs underperformed the global real estate index,[6] but outperformed the broader U.S. equity market, as measured by the S&P 500 Index,[7] during the fourth quarter.

Aberdeen Global Premier Properties Fund Total Returns (%)*

	Cumulative as of Dec. 31, 2018			Annualized as of Dec. 31, 2018				
	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception 04/26/07
NAV	-5.5	-8.8	-12.9	-12.9	4.3	3.2	12.0	0.2
Market Price	-9.0	-15.6	-18.5	-18.5	5.3	2.3	12.5	-1.6
FTSE EPRA/NAREIT Global Real Estate Index	-4.9	-4.8	-5.6	-5.6	4.4	5.4	10.4	1.6

* **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.** Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance data quoted. NAV return data includes investment management fees, custodial charges, bank loan expenses and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions. The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

Top Ten Fund holdings (as of Dec. 31, 2018)*

	% of Fund
Starwood Property Trust Inc.	4.8
Prologis Inc.	4.0
Welltower Inc.	3.5
Simon Property Group Inc.	2.8
ADO Properties S.A.	2.8
AvalonBay Communities Inc.	2.3
Realty Income Corporation	2.1
Alexandria Real Estate Equities Inc.	2.1
Duke Realty Corporation	2.0
Equity LifeStyle Properties Inc.	1.8
Total	**28.2**

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. The top ten holdings are reported by share class. Certain companies listed may be held in additional share classes not listed above.

[5] Tier 1 cities in China have gross domestic product of over US$300 billion; Tier 2 cities are those with GDP between US$68 billion and US$299 billion.
[6] The MSCI World Real Estate Index is a free float-adjusted market capitalization index that consists of large and mid-cap equity across 23 developed-market countries.
[7] The S&P 500 Index is an unmanaged index considered representative of the US stock market.

REITs were unable to avoid the global sell-off in risk assets that occurred over the quarter due to investors' concerns about the pace of global economic growth, trade disputes and political uncertainty in Washington, DC. For most of the quarter, U.S. REITs were strong relative performers, posting positive returns through early December as investors were drawn to more defensive sectors such as REITs and utilities. However, as investors' concerns continued to mount in December 2018 and a flight-to-safety mentality took over, REITs succumbed to the selling pressure. This resulted in a 4.8% decline in the FTSE EPRA/NAREIT Global Index for the quarter the 10-year U.S. Treasury note yield, which rose 15 basis points (bps) in the first six weeks of the fourth quarter, hitting 3.20% in mid-November, closed the period down 40 bps, falling to 2.68%, its lowest level since late January 2018. Thus far, despite the sharp sell-off in equities, we believe that there have not been any indications of changes in real estate fundamentals; supply and demand are balanced for most property types; and landlords are still enjoying modest rent increases for the most part.

In terms of subsector performance, defense was the "name of the game" in the fourth quarter. Stable cash flows, healthy, sustainable dividends, strong balance sheets and a cost-of-capital advantage that makes acquisitions accretive drove sector-leading performance for the triple net lease[8] REITs, which recorded notable gains for the period. Healthcare REITs also posted strong relative performance attributable to the decline in interest rates and indications that senior housing and skilled nursing fundamentals are nearing a trough and should start to improve in 2019. Finally, infrastructure REITs also outperformed, led by tower companies, which are benefiting from limited supply and increasing demand as carriers plan for the 5G rollout.

On the flipside, economically sensitive sectors significantly underperformed the overall REIT market during the fourth quarter. Lodging REITs were the weakest performers, as soft revenue per available room (RevPAR) growth in the quarter and concerns about the pace of economic growth weighed on investor sentiment. The office sector, which underperformed throughout 2018, continued to struggle during the quarter. Higher capital expenditure (capex) needs to lease vacant space, along with little pricing power in core markets like New York City and Washington D.C., more than offset discounted valuations within the sector. Finally, shopping center REITs, which enjoyed a brief rally in the third quarter, again came under pressure due to difficulty releasing vacant space and continued store closures.

The Canadian market was hampered during the quarter as trade concerns and weak oil prices weighed on the country's economic outlook, which contributed to weakness in the Canadian dollar.

The UK was the weakest performer among the major listed real estate markets for the quarter, with share prices down more than 10% in local currency terms. The poor performance was heavily concentrated in the retail sector, where data continue to show a meaningful correction in capital values is underway and the market has begun to price in a risk of balance sheet stress for some of the more highly leveraged securities.

Performance in Continental Europe was very similar to that of the UK, even if the real estate sector meaningfully outperformed the broader European equity market. The underperformance was led by the Paris-based office specialists Gecina, a Fund holding, and ICADE, which the Fund does not own. This was seemingly at odds with the improving fundamentals of the Paris office market. Retail specialists also performed very poorly, continuing the subsector's run of underperformance given growing concerns about the sustainability of rents and capital values amid the headwinds of structural changes in consumer behavior. Otherwise, the weakness was relatively broad and evenly spread across German residential, Spanish and Irish stocks.

There was volatility in the Asia-Pacific region over the quarter as the focus of the markets shifted between negative factors such as concerns over the U.S.-China trade war, U.S. Federal Reserve (Fed) interest-rate hikes and an imminent global economic slowdown, versus positive factors such as potential economic stimulus from China, the easing of home ownership restrictions in Hong Kong, and a pausing of rate hikes by the Fed amid moderating economic growth. Investors sought safe-haven assets such as REITs in Japan, Singapore, Hong Kong and Australia. Japan saw a surge of investment flows over the quarter as global investors sold Chinese holdings and bought domestic-oriented stocks in Japan. This included Japanese developers, which posted strong results early in the quarter, only to surrender them amid negative investor sentiment and risk-off behavior at the end of the quarter. Japanese REITs (JREITs) saw a rally driven by safety- and yield-seekers. The Japanese market also benefited from a rebalancing of the MSCI Asia Index,[9] resulting in the significant increase in the weighting of the five largest JREITs by market cap, which drove substantial inflows into these securities. Shares of Hong Kong-listed developers sold off early in the quarter, due in part to the impact of continued interest-rate hikes in the U.S., as well as concerns over property prices falling as a result of the potential economic slowdown in China and Hong Kong due to the trade war. Hong Kong share prices started to recover in December, after physical real estate saw a notable price correction and pessimism was beginning to give way to hope regarding a resolution of the trade war, potential stimulus in China, and the potential slowdown in the Fed rate- hike cycle.

[8] A triple net lease is a lease agreement that states the tenant is solely responsible for all of the costs relating to the property being leased in addition to the rent.

[9] The MSCI Asia Index is an unmanaged index tracking the performance of large- and mid -cap stocks across developed- and emerging-markets in Asia.

Outlook

We think that recent equity market volatility suggests increasing risks in global markets as global economic growth moderates from peak levels, central banks focus on normalizing monetary policy, and U.S.-China trade tensions dampen economic sentiment and activity. The market volatility has resulted in U.S. REITs trading at attractive valuations on a historical basis, versus both U.S. Treasury and private market real estate valuations. Following an expansion for more than eight years at this point, we are relatively late in both the economic and real estate cycles. Against this backdrop, we do not expect cap rate[10] compression to drive valuations higher and, therefore, we feel that taking a more defensive stance is likely prudent. Consequently, we are focusing the Fund's investments on companies that in our view have strong balance sheets, higher-quality portfolios, and the ability to produce internal earnings growth, as the net operating income (NOI) growth generated can help to offset pricing pressures that may emerge. Additionally, by focusing on higher-quality assets, we believe that we will be able to withstand any structural shifts in demand and identify the eventual stronger-performing companies. We have found that in periods of elevated volatility the market does not always differentiate these issues, thereby providing attractive long-term opportunities for excess returns. The Fund's country positioning continues to favor Continental Europe, where we are increasingly selective on markets for which we believe rental growth is sustainable as the business cycle matures. Over the past several quarters, we have reduced the Fund's exposure to the periphery markets of Spain and Ireland in recognition that their recoveries have matured and their growth rates are moderating.

In contrast, we favor Northern Europe, where we are focused on Germany. We are positive on the outlook for both the German residential markets, especially in Berlin, and the office sector. We also remain positive on the fundamentals of the office markets in Stockholm and Paris. In the UK, we believe ongoing political risks, an overstretched consumer and overall weak macroeconomic fundamentals give us little reason to be positive.

In Hong Kong, we have reduced the size of the Fund's underweight relative to the benchmark FTSE EPRA/NAREIT Index. We remain cautious on sentiment-driven and volatile residential property developers, but we are constructive on selective landlords. In Japan, we maintain the Fund's slight underweight allocation and remain positive on Tokyo office fundamentals, where the vacancy level is at a historic low, supporting strong rental growth, in our view. In Singapore, we are cautious on the residential markets given considerable new supply in the first half of 2018, and remain focused on opportunities among higher-yielding REITs.

[10] The cap rate is the rate of return on a real estate investment property based on the income that the property is expected to generate.

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International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments. Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

Dividends are not guaranteed and a company's future ability to pay dividends may be limited.

The use of leverage will also increase market exposure and magnify risk.

Because the real estate funds concentrate their investments in the real estate industry, the portfolio may experience more volatility and be exposed to greater risk than the portfolios of many other mutual funds. Risks associated with investment in securities of companies in the real estate industry may include: declines in the value of real estate, overbuilding and increased competition; increases in property taxes and operating expenses; changes in zoning laws; casualty or condemnation losses; variations in rental income, neighborhood values, changes in interest rates and changes in economic conditions.

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