Aberdeen Standard Investments

Aberdeen Global Premier Properties Fund[1]

Fund performance

Aberdeen Global Premier Properties Fund returned -1.47%[2] on a net asset value basis for the third quarter of 2018, underperforming the -0.78% return of its benchmark, Financial Times Stock Exchange European Public Real Estate Association/National Association of Real Estate Investment Trusts (FTSE EPRA/NAREIT) Global Index.[3]

Stock selection among Indian property developers, as well as Japanese developers and real estate brokers, detracted from Fund performance relative to the benchmark over the quarter. From a sector allocation perspective, Fund performance was hampered by the exposure to Japanese real estate brokers, which are not represented in the benchmark index, along with overweight allocations in India and European homebuilders. The most significant individual stock detractors from Fund performance for the quarter were Chinese developer Times China Holdings, Indian developer Prestige Estates, and Spanish homebuilder Aedas Homes.

The Fund's performance relative to the benchmark for the quarter benefited primarily from overall stock selection in Mexico, German residential companies, and U.S. mall real estate investment trusts (REITs). Regarding sector allocation, the lack of exposure to U.S. storage REITs and Hong Kong developers, coupled with an underweight allocation to Chinese developers, bolstered Fund performance. The most significant individual contributors to Fund performance included German residential investor ADO Properties, Brookfield Property REIT, and German residential developer Instone Real Estate Group.

Fund activity

We made several adjustments to the Fund during the quarter. In the Americas, our concerns about the impact of declining housing affordability on U.S. homebuilders led us to exit the Fund's small exposure to homebuilders and increase the exposure to REITs. We added to the Fund's position in Prologis, taking advantage of a sell-off in its shares to enhance the Fund's exposure to the global logistics market. We believe that this sector will continue to benefit from structural growth in demand and rents, driven by the ongoing restructuring of supply chains in response to the growth in online retail. We also took advantage of what we viewed as attractive valuations and modestly improving fundamentals by reducing the Fund's underweight to heathcare and suburban office REITs by adding exposure to Omega Healthcare, Sabra Healthcare and Highwoods Properties. In Mexico, with the market rebound on the back of the North American Free Trade Agreement (NAFTA) deal with the U.S., we reduced the Fund's overweight exposure by paring the holdings in which we had the lowest conviction.

In Europe, where we maintained the Fund's significant overweight relative to the benchmark, we reduced the overweight exposures in the periphery markets of Spain and Ireland, as their recoveries continued to mature and slow. We trimmed the exposure to Irish residential developers for which we believed valuations were at levels that already had priced in much of the upside

[1] The Fund acquired all of the assets and liabilities of the Alpine Global Premier Properties 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] ***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.

that we had anticipated. In Spain, we exited the Fund's position in Hispania given the company's acquisition by Blackstone. We also eliminated the position in Lar Espana, which we viewed as marginally expensive relative to its retail peers and given our broad concerns over the retail sector. We reinvested in a range of securities in the German residential, UK and Swedish industrial and European office markets, all of which we believe will experience strong and sustainable rental growth. We established new positions in Instone Real Estate, Catena AB, a Swedish small-cap industrial developer, and Hammerson PLC, a UK mall owner/developer with a European portfolio. While we maintain a negative view on retail fundamentals and therefore have positioned the Fund with an underweight to the sector overall, we see stock-specific catalysts in the strategic change and potential mergers and acquisitions (M&As) that, in the case of Hammerson, we feel could crystalize value in the medium term.

In Asia, we increased the Fund's weighting in Chinese property developers in recognition of a short-term trading opportunity with shares at what we viewed as oversold levels and attractive valuations, funded by the position in Hang Lung Group. We took advantage of capital increases in two Japanese REITs, Invincible Investments and GLP REIT, to rotate the Fund's exposure into securities that we felt had more attractive valuations, exiting holdings in ORIX JREIT and Japan Excellent. Elsewhere, we reduced the Fund's exposure to Shinoken Group in Japan following mortgage fraud allegations at a competitor and given our concerns that the problems could potentially spread.

Market review

North American REITs[4] outperformed the FTSE EPRA/NAREIT Global Real Estate Index in the third quarter, continuing the trend from the prior quarter, but lagged the broader equity markets during the period. Income-oriented investors flocked to the sector, particularly early in the quarter, driving the relative outperformance. Additionally, both U.S. and Canadian REITs reported that operating fundamentals for most property types remain quite strong, driving solid cash-flow growth that is in line to slightly better than the market's prior expectations. However, fears about a trade war increased and interest rates rose sharply in the final few weeks of the quarter; consequently, U.S. REITs sold off.

In terms of subsector performance in the U.S., the residential sectors were the top market performers during the third quarter. Outsized like-for-like net operating income (NOI) growth, little new supply and accretive acquisitions were the drivers for the manufactured homes sector's outperformance. The apartment segment benefited from indications that the peak leasing season extended into the third quarter this year (versus a mid-second quarter conclusion in 2017). This was driven by strong labor markets, which we think could set the sector up for slightly better same-store NOI growth in 2019. Finally, despite the rise in interest rates, defensive yield-oriented sectors, triple net lease[5] and healthcare also were strong relative performers over the quarter.

Aberdeen Global Premier Properties Fund Total Returns (%)*

	Cumulative as of Sept. 30, 2018			Annualized as of Sept. 30, 2018				
	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception 04/26/07
NAV	-2.6	-1.5	-4.5	0.1	8.9	5.9	9.2	1.0
Market Price	-4.2	-2.7	-3.5	0.3	13.6	6.2	9.9	-0.2
FTSE EPRA/NAREIT Global Real Estate Index	-2.4	-0.8	-0.8	3.0	7.8	6.2	6.7	2.1

* **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 Sept. 30, 2018)*

	% of Fund
Prologis Inc.	4.0
Welltower Inc.	2.8
ADO Properties S.A.	2 .8
Starwood Property Trust Inc.	2.7
Simon Property Group Inc.	2.6
AvalonBay Communities Inc.	2 .1
Alexandria Real Estate Equities Inc.	1.9
Duke Realty Corporation	1 .9
Dream Global REIT	1.9
Hammerson PLC.	1.8
Total	**24.7**

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.

[4] The MSCI US REIT Index is a free float-adjusted market capitalization-weighted index comprising equity real Estate investment Trusts. The index is based on the MSCI USA Investable Market Index (IMI), its parent index, which captures the large-, mid- and small-cap segments of the U.S. market. The MSCI Canada IMI REITs Index is a free float-adjusted market capitalization index that consists of Canadian large, mid, and small cap equity REITs.
[5] 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.

On the flipside, self-storage, which had been the strongest-performing sector in the first half of 2018, significantly underperformed the overall global REIT market during the third quarter. We attribute this to indications that supply pressures remain, pushing out the date of when the deceleration in same-store NOI growth rates will subside. The office sector also underperformed during the quarter due to weak leasing data in New York City, along with signs that net effective rents remain under pressure due to rising capital expenditure needs to lease space.

Canadian REITs outperformed both the U.S. REIT and global real estate[6] indexes in the third quarter. The strength in the Canadian market stemmed from both subsiding trade fears and strong operating fundamentals, particularly in the rental housing and office markets in Toronto. This pushed rents materially higher and possibly set up landlords for strong cash flow growth in the coming quarters.

The UK was one of the weakest-performing markets globally in the third quarter, with meaningful share price declines across the vast majority of the sector's constituents. The London office and shopping center specialist REITs generated the weakest results, continuing the underperformance of their local peers in reflection of subdued and, in the case of retail, worsening fundamentals. Two student accommodation specialists were among the few companies to see positive share price performance, while industrial REITs also outperformed their local peers.

Continental Europe REITs saw share prices broadly flat over the quarter, with the strongest performance in Scandinavia. In contrast, retail specialists continued to struggle on the back of growing evidence that valuation yields have begun to rise for weaker malls, while Swiss property companies also underperformed.

The Asia-Pacific region had an eventful third quarter, with Hong Kong real estate equities selling off on the back of Hong Kong's first prime rate hike in 12 years. This was followed by heightened trade war tensions between the U.S. and China, which has given rise to a wave of market pessimism over the near-term outlook for China and, therefore, the Hong Kong economy. Secondary residential market transactions also indicate that home prices have begun to decline.

In Singapore, the residential market took a hit in July when the government announced the implementation of economic cooling measures. The timing of the measures was much earlier than anticipated by market participants. This, in turn, weighed heavily on the share prices of stocks with residential development exposure. In the physical markets, however, residential price growth remains positive.

Japan performed relatively well during the quarter, with share prices broadly flat. Japanese REITs saw modest gains in share prices, led by office specialists, while property developers had mixed performance. Shares of several companies involved in the residential investor market sold off after allegations of fraudulent lending and aggressive selling practices at a major global real estate technology company.

Outlook

We maintain our focus on companies that we believe will benefit from strong real estate fundamentals and earnings, combining cyclical real estate fundamentals and long-term secular trends. As interest rates begin to rise, investors are no longer paying up for yield. Therefore, higher-quality, lower-yielding REITs should outperform, in our opinion. We seek markets with rental growth at this stage in the capital cycle and we anticipate a benign but rising interest-rate environment.

The Fund's country positioning continues to favor Continental Europe, where we have conviction in the sustainability of the economic recovery, a factor which is now evident in improving rental growth across most property subsectors. Within Europe, we have reduced the Fund's exposure to the periphery, in recognition of diminishing returns in Southern European countries as their recovery matures and market sensitivity to political risk in favor of Northern Europe, where we have added to the exposure to Germany.

In the U.S., rising interest rates could put some pressure on REIT valuations in the near term. However, we think that the sector is still trading at relatively attractive valuations on a historic basis and could provide attractive investment opportunities on both an individual stock and subsector basis. While we are late in an extended cycle and thus cannot expect additional cap rate[7] compression to drive valuations higher, we believe those sectors that are able to point to internal earnings growth are likely to remain in favor with investors, as NOI growth can offset any rate pressures that emerge. By focusing on higher-quality assets that we believe will be able to withstand structural shift in demand, we feel that we can identify the stronger-performing companies. The market currently does not appear to be differentiating between these two groups. Consequently, we hope to use our quality bias to identify those securities that we feel could provide excess returns as this quality is proven.

In contrast, the Fund remains underweight relative to the benchmark FTSE EPRA/NAREIT Index to regions such as Hong Kong, where we see risk of investor sentiment towards residential property developers remaining fragile in an environment of rising interest rates, and to those sectors with relatively weaker economic and property fundamentals, such as UK and Australian retail.

We have continued to reduce the Fund's exposure to emerging markets, which we expect to remain under pressure from negative fund flows and trade war rhetoric for some time. However, the exception to this is China, where the market sell-off has seen valuations reach attractive levels, in our view. Consequently, we have increased the Fund's exposure to China to a modest, tactical overweight position.

[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 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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