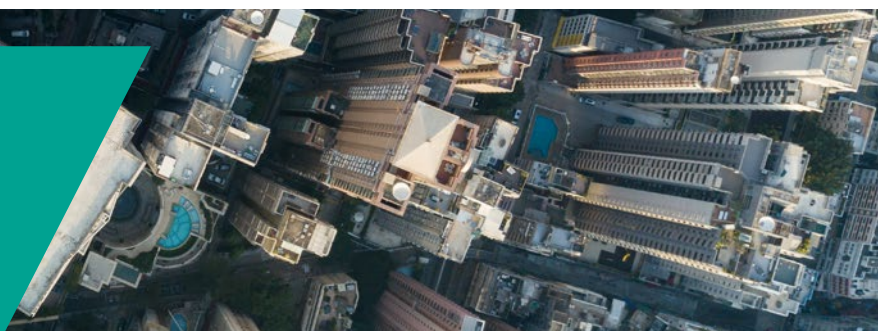


December 2020
InFocus



Standard Life Long Lease Property Fund

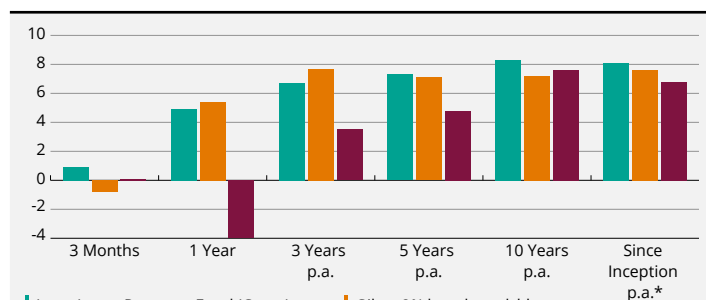
Key features

Strong track record versus the benchmark, fund peer group and wider UK real estate market

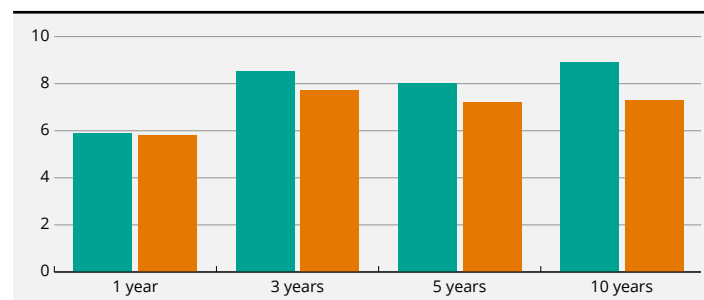
Extensive access to off-market deals and stock creation

High quality assets provide additional risk mitigation beyond strong tenant covenants, long leases and high levels of income indexation

Performance vs Benchmark (%)



Performance vs Peers (%)



*Inception 01 October 2003
** FT BG All Stocks +2.0% p.a.
Source: Aberdeen Standard Investments, 30 September 2020.

Past performance is not a guide to future results.

Source: MSCI/Aberdeen Standard Investments, 30 June 2020. Performance based on underlying real estate excluding cash.

Past performance is not a guide to future results.

Annual returns to 30 September 2020 (%)	2020	2019	2018	2017	2016
Fund – Gross (formal performance measure)	4.9	5.5	8.8	10.7	4.8
Fund – Net	4.3	6.0	9.3	11.3	5.3
Benchmark – FT BG All Stocks +2.0% pa	5.4	15.4	2.6	-1.6	14.7

Relative performance is formally gauged by comparing gross fund performance and the benchmark, because the benchmark is a fixed income measure not a real estate peer group measure. Net performance is shown here as a guide. It has been calculated using an annual management charge of 50bps. Because the fund operates a tiered fee structure, clients with larger holdings will pay a lower blended fee. Source: Aberdeen Standard Investments, 30 September 2020.

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Income and capital preservation

The fund aims to provide stable, long duration, high-quality, inflation-linked income. Unlike mainstream real estate, the majority of long lease asset value is in the lease rather than the building and most income is index-linked or benefits from regular uplifts. In addition, buildings are only let to high grade tenant covenants. This all means that the assets are more resilient during economic cycles, relative to other types of real estate. As the first fund of its kind to be launched in the UK, the Long Lease Property Fund can demonstrate these qualities over 17 years.

Key fund characteristics

- Current fund size is £2,652.8 million with almost 90 clients¹
- Unexpired lease term of at least 15 years (currently almost 25 years)¹
- High occupancy rate (void rate of 0.06% of estimated rental value)¹
- Resilient income streams with 90.5% of income index-linked or fixed¹
- Strong covenant strength with 76% of tenants considered to be low risk or negligible risk²
- Attractive reversionary value: our fund has significantly less over-renting than the long lease market at 2.4% v 13.9%³
- No debt or speculative development
- Highly diversified by tenant and sector. No traditional retail in the portfolio⁴

¹ Source: Aberdeen Standard Investments, 30 September 2020.

² MSCI Iris 30 September 2020 based on Dun & Bradstreet credit ratings.

³ MSCI Q2 2020 Long Lease Funds in quarterly real estate universe.

⁴ Defined as shopping centres, retail warehouses or high street stores.

Designed for investors with pension liabilities

The fund is designed to complement an existing diversified portfolio and enhance returns relative to deferred and current pension liabilities. Given the current environment of low interest rates and low-yielding government bonds, investors view long income real estate as a welcome and reliable source of yield. Since the fund is only open to UK registered pension schemes, clients are co-invested with like-minded institutions.

Quick capital deployment

In a low yielding macro environment, competition for long income real estate assets is intense. As the UK's largest real estate manager and holding the UK's longest long income track record, we use our extensive long income supplier network to source deals off-market. We also create our own stock by investing in pre-let forward fundings. The fund is one of the largest of its kind in the market, which allows us to buy large lot sizes whilst remaining well diversified.

⁵ Source: Aberdeen Standard Investments, 30 June 2020.

⁶ Net reversionary potential is the difference between rents passing and ERV, excluding any rent free periods and voids. A positive figure indicates that the underlying rental value is above the current rents paid by existing tenants. Figure quoted includes ground rent holdings. Source: Aberdeen Standard Investments, 30 September 2020.

Comprehensive tenant credit assessment

Credit worthiness lies at the heart of long income investing. As a house we manage £118 billion⁵ in fixed income assets and we work closely with our in-house teams of fixed income, equities and ESG analysts and economists to build detailed business, financial and ESG risk profiles of all our tenants, which are constantly reviewed. We act quickly to mitigate any deterioration in tenant quality. During the Global Financial Crisis, the fund's void rate remained below 1% of estimated rental value.

Real estate fundamentals are vital

The importance of assessing real estate fundamentals – including location, local market dynamics and the physical condition of the building – can't be overstated. They allow us to renegotiate lease extensions with our tenants (long before the end of the lease) from a position of strength. Most importantly, strong fundamentals ensure that the properties would be appealing to alternative tenants in the unlikely event of tenant default. Tenants would also be attracted to the reversionary value of many assets (where the market rental value is higher than the actual rental income).

Overall, the fund's total fund rental value is 11.5% above actual fund income⁶. In the long-established UK long lease market, we believe that we have been unique in creating a portfolio of this kind.



Les Ross
Fund Manager

“The fund has a robust track record, especially during times of market volatility such as the Global Financial Crisis. Key to this is our unrelenting focus on tenant strength and real estate fundamentals.”

Important Information

The value of investments and the income from them can go down as well as up and your clients may get back less than the amount invested. Past performance is not a guide to future results.

Real estate 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.

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