Aberdeen Standard Pan European Residential Property Fund

January 2021

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 **A**ccessibility, **A**menity and **A**ffordability 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, one of Europe's largest real estate investment managers.

Investors

We established ASPER at the end of March 2018 with first-close commitments of €355.5 million. As at the end of December 2020, total capital commitments stood at €969.2 million from 19 investors located in the Netherlands, Germany, Switzerland, Ireland, France, Italy, South Korea, Luxembourg and the UK. Since launching the fund, we have been effective and efficient in securing assets and allocating committed capital. With a strong investment pipeline, we believe that ASPER is well placed to continue to lead the pan-European residential market, with further closes this year expected to take the fund beyond €1 billion in commitments.

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 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 further assets in Paris (Chatillon and Rueil Malmaison). In July 2019, a portfolio of three Swedish properties was contracted. In April 2020, a property in London was acquired, and a third asset for the fund in Vienna was signed in May. The following months proved to be highly successful as the fund concluded four more deals - two in Gothenburg, one in Madrid and one more in Paris. In the last quarter of 2020, the fund acquired its first asset in Belgium (Bruges), and concluded two transactions in the south of France - one in Nice, and one in Toulouse.

Despite a challenging year, 2020 accounted for nine new deals, bringing the number of the assets secured by the fund to 36 in eight countries, with 3,786 units amounting to over 230,000 sqm. As at the end of 2020, the market value of the portfolio's properties totalled over €1,200 million (assuming completion of the developments) with approximately €300 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. Throughout 2021 the ASPER team shall be focused on maintaining high (close to 100%) occupancy rates; managing and further reducing tenant turnover; assuming responsibility for newly completed projects and commencing securing tenants for them; as well as further improving the overall ESG credentials of the portfolio.

COVID-19 has disrupted global real estate markets but the effect of the coronavirus has been to make the case for residential strategies even more compelling. This is borne out by ASPER's experience - the fund has enjoyed a rent collection rate of almost 100%; not been adversely affected by the structural changes taking place in the retail sector which have been accelerated by COVID-19; seen increased demand for residential from potential buyers; and witnessed tenant behaviour trends that existed before COVID-19 (and which partly underpin the fund's strategy) being accelerated as a result of it.

Key information

Legal structure	SICAV-RAIF
Domicile	Luxembourg
Risk style	Core
Launch	29 March 2018
Term	Open-ended, infinite
Investors	19 investors
Geographic universe	Western Europe
Sector universe	Residential real estate
Target size (GAV)	EUR >1.5 billion
Current size (GAV)	EUR 741.2m (30/09/20)
Current size (NAV)[1]	EUR 583.6m (30/09/20)
Minimum commitment	EUR 3 million
Current total commitments	EUR 969.2m
Current investor queue	EUR 346.4m; 2-4 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 20.6% (30/09/20); 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

Tranched fund management fee structure:

90bps on NAV for committed capital ≤ EUR 25m (tiered)
80bps on NAV for committed capital EUR 25-50m (tiered)
70bps on NAV for committed capital EUR 50-75m (tiered)
75bps on NAV for committed capital EUR 75-100m (flat)
70bps on NAV for committed capital EUR 100-150m (flat)
65bps on NAV for committed capital EUR 150-250m (flat)
57.5bps on NAV for committed capital ≥ EUR 250 (flat)

[1] INREV NAV

All figures (unless otherwise indicated) are as at 01 January 2021.

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

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Market outlook commentary

The ongoing COVID-19 pandemic is having a significant impact on the European economy and on the real estate market in general. However, private rented residential has so far displayed notable resilience in the context of current market conditions. Income protection schemes, and other substantial stimulus packages designed to support employees and impacted businesses, have sheltered the residential sector from any substantial loss of contracted rent and therefore value. Furthermore, relative to single-let commercial real estate, the very nature of the unit-by-unit lease agreements supports the resilience of residential cash flows. Indeed, tracking of our European residential assets shows that outstanding rents are broadly minimal through the crisis so far. However, we will remain cautiously optimistic on the outlook; until a large proportion of the population is vaccinated, there remain some short term risks.

Although cyclical drivers of real estate performance are weaker and more uncertain compared to pre-pandemic, we are of the view that the longer term fundamental drivers behind residential real estate performance remain intact. Major cities in Europe continue to face a long-standing under-supply situation, which in some markets is described as severely as a 'housing crisis'. We expect this under-supply to support modest and sustainable rental growth at levels in line with or slightly in excess of target inflation. This resilience is recognized by investors in general, and we have seen the transaction market for good quality residential assets in Europe holding up very well over the last few months, both in terms of activity and pricing.

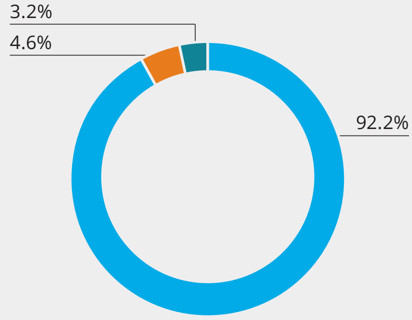
Affordable living is high on the agenda of politicians across Europe, and we have seen various initiatives to facilitate more affordable accommodation through rental regulation. Generally speaking, residential rent regulation is not wholly negative for long-term oriented institutional investors, as it can help to clarify legal liabilities, providing greater certainty which can lead to stable tenures and therefore steady cash flows. However, sudden changes to the legislation may create volatility and short-term value losses, and we continue to follow any discussions on rent regulation in Europe closely.

We continue to focus on newer, modern, and flexible assets in central locations and desirable areas within touching distance of major business and cultural hubs. 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 have seen development levels match the growth rate in demand, but only following decades of under-supply. 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, especially as a result of the challenges introduced by the pandemic.

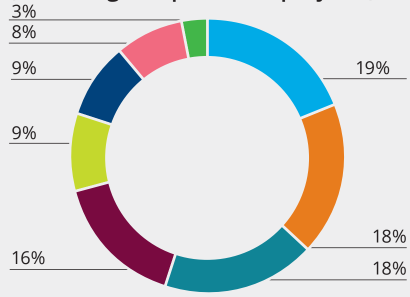
Investor sentiment for residential is at all-time highs, and the relative attractiveness of this sector over more cyclical ones is further strengthened in light of COVID-19. According to our latest European House View, compared to all other investable sectors, the residential sector will offer the highest Estimated Rental Value growth and total returns. We forecast residential total returns of 6.6% p.a. over the next five years for the sector in aggregate, but with a certain level of variation between markets and of course assets. As initial yields are at a relatively low level compared to historic trends, the ability to manage the assets in a cost efficient manner is crucial in order to support a strong net cash flow to investors.

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

Sector allocation (assuming completion of projects)



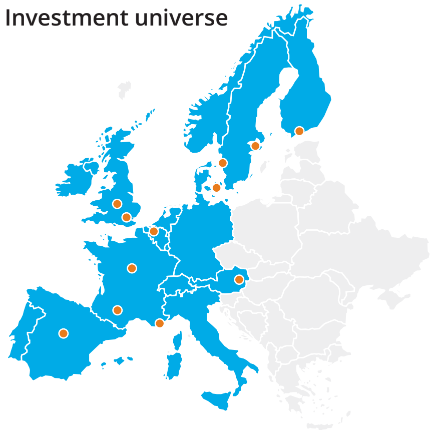
Geographic allocation (assuming completion of projects)



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

All figures (unless otherwise indicated) are as at 01 January 2021.

Investment universe



Franz Joseph, Bloch-Bauer-Promenade, Vienna