

July 2020

Fund concept

For limited professional use only – Not for general distribution. This document outlines a strategy presently in the late stages of development. The strategy is not yet available for sale and any product details discussed are reflective of current market conditions and are subject to change.

Aberdeen Standard UK Multi-Sector Residential Income Fund

This fund will invest in a diversified portfolio of sustainable residential assets across the UK, and can be used as an evergreen core strategy.

Why residential?

- **Demand/Supply imbalance:** Residential occupier demand is being driven by a number of factors, including strong population growth, increasing migration, later marriage, shrinking household sizes, affordability constraints and lifestyle choices. The development pipeline has also remained muted given preservation of historic areas, green belts, political opposition to development and tightening environmental regulations on new development. We believe this imbalance creates a long-term structural driver for future returns.
- **Enhanced diversification:** Given their low correlation with commercial property sectors, residential investments provide excellent diversification benefits when held alongside other real estate assets. The evolution of the residential market is also expected to continue with the emergence of 'new' and differentiated investment opportunities.
- **Defensive/Income-driven returns:** Residential assets provide defensive/counter-cyclical investment performance compared to traditional real estate assets. Minimal vacancies and a diversified occupier base also ensure durable income streams. Evidence of this is that rent collection rates in the residential sector have remained robust despite the ongoing coronavirus pandemic.

Why the Aberdeen Standard UK Multi-Sector Residential Income Fund?

- **Increased investment opportunities:** The fund can invest across a wide range of properties, including build-to-rent and purpose-built student accommodation, as well as emerging residential assets such as retirement living. This can help us to make use of tactical allocation in a rapidly evolving asset class.
- **ESG focused:** The fund is managed within a clear ESG framework, which revolves around our proprietary 'ASI ESG Impact Dial'. That means we'll focus on assets with high environmental, social and governance (ESG) performance attributes. We believe this will not only future-proof the fund's assets but will also help to increase operational efficiency and enhance returns through boosting net operating income.

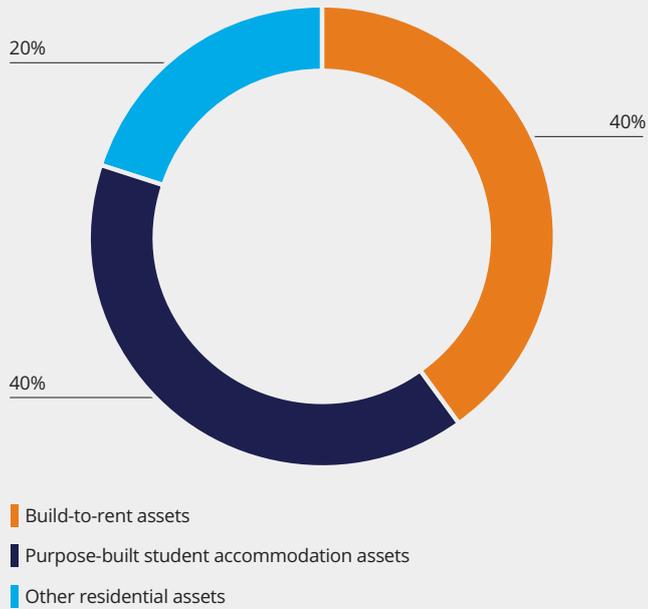
- **High-quality focussed portfolio:** The fund will focus on investing in large, high-quality purpose-built residential assets that minimise capital expenditure, maintenance costs and depreciation. By sticking to an approach of considering affordability, accessibility and amenity – what we call our 'strategic AAA-location approach' - it means that the fund will only invest in locations with strong demand and supply fundamentals.
- **Enhanced flexibility:** Where existing stock is limited, the fund will have the flexibility to support forward-funding of new builds that can provide better-quality configuration and pricing, as well as reducing risk.

Why Aberdeen Standard Investments for residential real estate?

- **Team:** We have a dedicated UK Residential team with extensive experience in the UK market. This is supported by wider global real estate expertise.
- **Track record:** We have a strong track record in residential properties in both the UK and Europe, having invested in this sector since 1996. We currently hold £6.5 billion* in assets under management.
- **Deployment:** Our ability to deploy capital is enhanced through existing deep relationships across the market and extensive access to opportunities through our UK Transactions team.
- **Research and strategy overlay:** We believe the combination of skills, experience and a proven investment process from our dedicated Real Estate Research and Strategy teams will help the fund to control risk and drive performance.

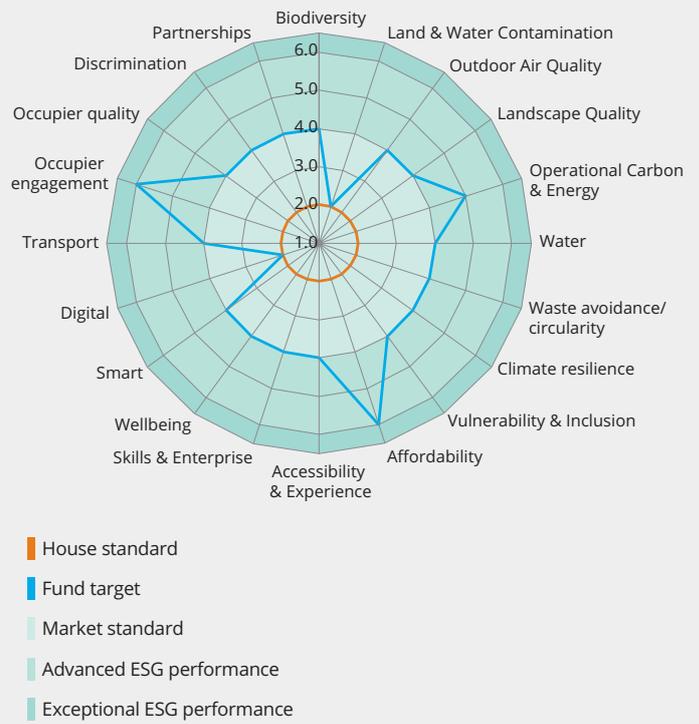
* As at 4 June 2020.

Stabilised portfolio target asset allocation



- **Build-to-rent assets:** These are large, high-quality purpose-built residential blocks. They provide a durable income source, with a low correlation to other real estate asset classes, from a substantial and growing marketplace.
- **Purpose-built student accommodation assets:** These are purpose-built student accommodations in university towns and cities. They offer access to a large, established market with an attractive liquidity profile, as well as a stronger income return.

ESG target metrics using the 'ASI ESG Impact Dial'



- **Other residential assets:** Senior living is emerging in the UK as an asset class, with many people continuing to rent into retirement. Micro and co-living are also growing trends.

Key information about the fund

Investment universe	Build-to-rent (BTR), purpose-built student accommodation (PBSA), plus emerging UK residential investment opportunities such as senior living, micro-living and co-living		
Target launch date	Q1 2021		
Fund structure	Luxembourg FCP (TBC)		
Target equity (1st close)	£250m (> £1bn future potential)		
Leverage target	Targeting a long-term average loan to value of 25% of gross asset value		
Targeted returns	5-7% p.a. total return (income focussed)		
Income distribution	c. 5% income, distributed quarterly		
Minimum investment	£5m		
Redemptions	Quarterly (three-year lock-in with maximum two years for repayment)		
Fee	Commitment	AMC	'Day 1 investor' fee
	<£50m	50bps	40bps
	>£50m	45bps	35bps

Theoretical investment characteristics and guidelines for the Fund concept. Fund launch is subject to Group approvals. Target returns are offered as strategy goals and are not referenced to past performance. There can be no guarantee the target returns will be achieved. Returns are on fund stabilisation. Source: Aberdeen Standard Investments, July 2020.

Important Information

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Investors should be aware that past performance is not a guide to future results. The value of investments, and the income from them, can go down and you may get back less than the amount invested.

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STA0920141508-001 | DH: GB-030920-128263-2