

# SLI UK Real Estate Fund

## Monthly Factsheet

November 2019



### Objective

To generate income and some growth over the long term (5 years or more) by investing in UK commercial property. It is intended that the sub-fund will be a PAIF at all times and, as such, its investment objective is to carry on property investment business and to manage cash raised for investment in the property investment business.

**Performance Target:** To exceed the return of the IA UK Direct Property Sector Average return (after charges) over rolling three year periods. The Performance Target is the level of performance that the management team hopes to achieve for the sub-fund. There is however no certainty or promise that they will achieve the Performance Target.

The ACD believes this is an appropriate target for the sub-fund based on the investment policy of the sub-fund and the constituents of the sector.

### Portfolio securities

- The sub-fund will invest at least 70% in a diversified portfolio of UK free hold and lease hold commercial property selected from across the retail, office, industrial and other sectors.
- The sub-fund may also invest indirectly in commercial property through investment vehicles such as quoted and unquoted property companies or funds (including those managed by Aberdeen Standard Investments).
- The fund may also invest in short term government bonds such as gilts, money-market instruments and cash.

### Discrete annual returns (%) - year ended 30/11

	2015	2016	2017	2018	2019
Fund Retail Acc shareclass	8.15	-5.94	6.40	5.38	-1.82
Fund Institutional Acc shareclass	8.78	-5.55	6.89	5.73	-1.44
Fund Platform One Acc shareclass <sup>A</sup>	8.15	-5.78	6.87	5.71	-1.42
Performance Target <sup>B</sup>	7.77	-1.57	7.36	5.01	-1.78

### Past performance (%)

	1m	3m	6m	1y	3y p.a.	5y p.a.
Fund Retail Acc shareclass	-0.61	-0.79	-1.39	-1.82	3.26	2.29
Fund Institutional Acc shareclass	-0.60	-0.68	-1.19	-1.44	3.66	2.73
Fund Platform One Acc shareclass <sup>A</sup>	-0.54	-0.64	-1.17	-1.42	3.62	2.55
Performance Target <sup>B</sup>	-0.44	-0.74	-1.30	-1.78	3.11	3.05

Performance Data: Fund Performance prior to 18 May 2016 relates to the Standard Life Investments Ignis UK Property Fund.

<sup>A</sup> Platform One share class performance from 21 March 2016. Retail accumulation share class used prior to 21 March 2016.

<sup>B</sup> Benchmark includes both master and feeder funds in the IA UK Direct Property Peer group.

Source: Aberdeen Standard Investments (Fund) and Morningstar (Target)

Past performance is not a guide to future results.

### Top five property holdings

Name	% of property*	Sub-sector
Leamington Spa, Leamington Shopping Park	5.0	Retail Warehouses
South Ruislip, The Old Dairy	4.1	Standard Retail - South East
Belvedere, Isis Reach	4.1	Industrial - South East
Newcastle upon Tyne, Monument Mall	3.9	Standard Retail - Rest of UK
Sutton, Io Centre & Tradeway	3.9	Industrial - South East

\*Percentages quoted exclude liquidity balance.

<sup>C</sup> The Ongoing Charge Figure (OCF) is an estimate as at 30 November 2019 and may vary from year to year. It excludes the cost of buying and selling assets for the fund. An estimate is used in order to provide the figure that will most likely be charged. It does not include any initial charges or the cost of buying and selling stocks for the fund. The Ongoing Charge Figure can help you compare the annual operating expenses of different funds.

<sup>D</sup> MSCI UK Daily Traded APUTs and PAIFs in the UK Quarterly Universe Property Index (unfrozen) from 01/01/2019. Prior MSCI UK Quarterly Balanced Monthly Index Funds Quarterly Property Index (Unfrozen)

<sup>E</sup> Current Historic Yield - this represents the income generated by the assets in which the fund has been invested over the last twelve months, expressed as a % of the fund's value for Institutional Acc Shareclass. Please note that this income stream may be subject to taxes and charges.

<sup>F</sup> The Average Lease Length is the weighted average (by estimated rental value, "ERV") of all contracted income within the fund. ERV refers to the rent that a particular asset would be expected to achieve if it were to be re-let in current market conditions.

<sup>G</sup> The vacancy rate represents the sum of all assets within the fund's portfolio which do not generate rental income. It is expressed as a percentage of the total portfolio estimated rental value, ERV, which is the sum of rental income that the portfolio would be expected to achieve if all assets were to be re-let in current market conditions.

### Key facts

#### Dealing information

Minimum initial Investment	
Retail shareclass	£500
Institutional shareclass	£5,000,000
Platform One shareclass	£2,000,000
Valuation point	12:00 UK Time
Settlement terms	T+3
Accounting period end dates	31 Dec (final) and 30 Jun (interim)
Ex-dividend dates	First day of each month
Payment dates	15 Feb (final) and Last day of each month (interim)

#### Ongoing charges figure (OCF)<sup>C</sup>

Retail shareclass	: 1.32%
Institutional shareclass	: 0.85%
Platform One shareclass	: 0.90%

#### Annual management charge (AMC)

Retail shareclass	: 1.30%
Institutional shareclass	: 0.75%
Platform One shareclass	: 0.75%

#### Retail Acc Shareclass

Sedol	BJFL152
ISIN	GB00BJFL1522
Bloomberg	BRUKPRA LN
Lipper	60098626

#### Retail Inc Shareclass

Sedol	BJFL163
ISIN	GB00BJFL1639
Bloomberg	BRUKPRI LN
Lipper	60098625

#### Institutional Acc shareclass

Sedol	BJZ2TG2
ISIN	GB00BJZ2TG29
Bloomberg	IGUKPIA LN
Lipper	68151106

#### Institutional Inc shareclass

Sedol	BJZ2V33
ISIN	GB00BJZ2V336
Bloomberg	IGUKPII LN
Lipper	68151107

#### Platform One Acc Shareclass

Sedol	BYPHP53
ISIN	GB00BYPHP536
Bloomberg	SLIUP1A
Lipper	68367077

#### Platform One Inc Shareclass

Sedol	BYPHP64
ISIN	GB00BYPHP643
Bloomberg	SLIUP1I
Lipper	68367078

#### Performance Target/Performance Comparator

Portfolio Constraining Benchmark <sup>D</sup>	MSCI UK Daily Traded APUTs and PAIFs in the UK Quarterly Universe Property Index
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Property Fund NAV £1,808,240,380

No. of holdings 66

Fund Launch date 22 Dec 2004

Current historical yield<sup>E</sup> 3.31% (Property)

Average Unexpired Lease Length<sup>F</sup> 7.4 years

% Vacancy Rate<sup>G</sup> 6.22%

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### Management process

- The management team use market research and their discretion (active management) to identify investments that are expected to benefit from changes in property prices and property improvements. They will maintain a diverse asset mix at sector level. In seeking to achieve the Performance Target, the MSCI UK Daily Traded APUTs and PAIFs in the UK Quarterly Universe Property Index is used as a reference point for portfolio construction and as a basis for setting risk constraints. Due to the fund's risk constraints, the intention is that the fund's performance profile will not deviate significantly from that of the MSCI UK Daily Traded APUTs and PAIFs in the UK Quarterly Universe Property Index over the longer term.

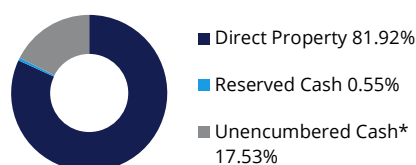
- Please note: Selling property can be a lengthy process so investors in the sub-fund should be aware that, in certain circumstances, they may not be able to sell their investment when they want to.

### Top five tenants (consolidated)

Name	% of total income
B&Q & Screwfix	4.0
Office Depot International	3.2
Tesco Stores Limited	2.6
ASDA Stores Ltd.	2.5
Sainsbury's & Argos	2.3

Source: Aberdeen Standard Investments, November 2019.

### Asset allocation



\*The unencumbered cash figure includes cash or cash equivalents plus any short term assets and liabilities within the fund less any future committed capital expenditures.

Source: Aberdeen Standard Investments, November 2019.

### Property portfolio: regional analysis

Region	Portfolio %
Rest of London	26.4
South East	23.2
West Midlands	10.2
North West	9.8
North East	7.1
Scotland	7.0
London West End	4.5
South West	3.1
Eastern	3.1
East Midlands	2.9
Wales	1.5
Yorkshire and Humberside	1.3

Source: Aberdeen Standard Investments, November 2019.

### Property portfolio: sector analysis

Sector	Portfolio %
<b>Retail</b>	<b>34.1</b>
Retail Warehouses	14.0
Shopping Centres	3.0
Standard Retail - Rest of UK	6.8
Standard Retail - South East	10.3
<b>Offices</b>	<b>21.4</b>
Office - Rest of South East	7.4
Office - Rest of UK	9.5
Office - West End & Mid Town	4.5
<b>Industrial</b>	<b>38.7</b>
Industrial - Rest of UK	14.0
Industrial - South East	24.7
<b>Other</b>	<b>5.8</b>

Source: Aberdeen Standard Investments, November 2019.

### Market review

Capital values for All Property have continued to trend lower, with negative contributions in retail and little movement in offices scaling down the market return profile. Industrials are still the best performing sector, but growth continues to slow as macro headwinds and late cycle fears temper investor sentiment. Logistics supply has ticked up bringing that market more into balance. Transaction volumes improved markedly in Q3 2019 reaching £13bn, increasing 40% from a very weak Q2 2019, but led by strong activity among alternatives and mixed use assets.

### Fund performance

During November the Platform 1 Acc shares returned investors -0.54% over the month. Over the past 12 months the Fund has returned -1.42%.

Over the period capital growth in the office and industrial sectors was countered by continuing capital decline in the retail sector where ERV re-basing and outward yield shift continued to negatively impact returns. The other (alternatives) sector was neutral over the month.

### Fund Activity

The Fund completed on the sale of 45 Church Street, Birmingham for £60.1m representing a net initial yield of 4.73%. The 122,829 sq ft, 12 storey building situated in Birmingham's CBD is let to 17 tenants across financial & professional service sector.

In the retail sector we completed three rent reviews at Bishop Auckland Shopping Park with an average rental increase of 6.4%. At Bligh's Meadow, Sevenoaks, Kazoku, a Japanese restaurant, has taken a new 25 year lease and an uplift has been secured at rent review with Leaders. In the industrial sector rent reviews completed at Units 120 and 130, Nursling Industrial Estate, Southampton to revised rents of £158,906.50 per annum and £157,985.00 per annum, equating to £9.50 per sq ft, an uplift of c.31% from the previous passing rent.

### Outlook and Fund positioning

Investors continue to be cautious around risk. There remains a strong focus on stable and secure income streams and high quality assets that are more protected from elevated late cycle risks. We expect secondary assets with vacancy, capital expenditure requirements, development risk, tenant turnover or other looming risk events to be treated with caution.

The Fund retains its overweight position to the favoured industrial sector with a bias towards the outperforming south east industrial sub-sector. Proactive asset management remains a key focus and driver of returns as we seek to maintain and enhance the Fund's income profile. We remain focused on reducing risk within the property portfolio, whilst also targeting our elevated exposure to liquid assets (cash).

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### Important Information

The following risk factors should be carefully considered before making an investment decision:

- The value of investments and the income from them can fall and investors may get back less than the amount invested.
- The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses. The fund does not make extensive use of derivatives.
- Commercial property is less liquid than other asset classes such as bonds or equities. Selling property can be a lengthy process so investors in the fund should be aware that they may not be able to sell their investment when they want to.
- Commercial property transaction charges are higher than those which apply in other asset classes. Investors should be aware that a high volume of transactions would have a material impact on fund returns.
- Property valuation is a matter of judgment by an independent valuer and is therefore a matter of the valuer's opinion rather than fact.
- The fund employs a single swinging pricing methodology to protect against the dilution impact of transaction costs. Due to the high transaction charges associated with the fund's assets, a change in the pricing basis will result in a significant movement in the fund's published price.

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To help you understand this fund and for a full explanation of risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents and Prospectus which are available on our website [www.aberdeenstandard.com](http://www.aberdeenstandard.com) The Prospectus also contains a glossary of key terms used in this document.

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