

# abr dn Property Income Trust Limited

Alternative Investment Fund Managers Directive  
Pre-investment Disclosure Document

Article 23 AIFMD/Rule 3.2 FCA FUND Sourcebook

[abr dn.com](https://www.abr dn.com)

20 April 2023



# abrdn Property Income Trust Limited

This document is issued by abrdn Fund Managers Limited as the alternative investment fund manager of abrdn Property Income Trust Limited (“the Company”), in order to make certain information available to prospective investors prior to such investors’ investment in the Company, in accordance with the requirements of the FCA FUND Sourcebook implementing the EU Alternative Fund Managers Directive (Directive 2011/61/EU) in the United Kingdom and is being made available on the Company’s website: [www.abrdnpit.co.uk](http://www.abrdnpit.co.uk).

Defined terms used in this pre-investment disclosure document can be found in section 20 below.

## 1. **A Description of the Investment Strategy, Policy and Objective of the Company, Types of Assets the Company May Invest In, Investment Techniques and Investment Restrictions**

Information about the Company’s investment strategy, policy and objectives, the types of assets in which the Company may invest, the investment techniques and any investment restrictions are contained in the Annual Report which is available on the Company’s website: [www.abrdnpit.co.uk](http://www.abrdnpit.co.uk).

### **Investment Objective**

To provide shareholders with an attractive level of income together with the prospect of income and capital growth.

### **Investment policy**

The Directors intend to achieve the investment objective of the Company by investing in a diversified portfolio of UK real estate assets in the industrial, office, retail and ‘other’ sectors, where ‘other’ includes leisure, data centres, student housing, hotels (and apart-hotels) and healthcare.

Investment in property development and investment in co-investment vehicles where there is more than one investor is permitted up to a maximum of 10% of the Property Portfolio.

In order to manage risk in the Company, without compromising flexibility, the Directors apply the following restrictions to the Property Portfolio:

- No property will be greater by value than 15% of total assets.
- No tenant (with the exception of the Government) shall be responsible for more than 20% of the Company’s rent roll.
- Gearing, calculated as borrowings as a percentage of the Company’s gross assets, may not exceed 65%. The Board’s current intention is that the Company’s gearing will not exceed 45%.

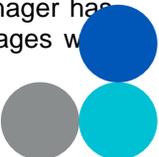
All investment restrictions apply at the time of investment. The Company will not be required to dispose of an asset or assets as a result of a change in valuation.

Any material change to the investment policy of the Company may only be made with the prior approval of its Shareholders.

The above investment policy was approved by shareholders at the Annual General Meeting held on 15 June 2022.

### **Sustainable Finance Disclosure Regulation**

The Manager integrates sustainability risks and opportunities into its research, analysis and investment decision-making processes. The AIFM believes that the consideration of sustainability risks and opportunities can have a material impact on long-term returns for investors. The Company is managed using an investment process integrating environmental, social and governance (“ESG”) factors but does not promote environmental or social ESG characteristics or have specific sustainable investment objectives. This means that whilst ESG sustainability risk factors and risks are considered, they may or may not impact portfolio construction. The Manager’s sustainability risk ESG integration requires, in addition to its inclusion in the investment decision making process, appropriate monitoring of sustainability considerations in risk management and, portfolio monitoring, engagement and stewardship activities. Where the Manager believes it can influence or gain insight, The Manager also actively engages with policymakers on ESG and stewardship matters the companies and assets in which it invests. The Manager believes this will create long-term value, including in relation to ESG practice. Where the Manager has rights, it also votes at Annual General Meetings of target companies to drive change. abrdn also engages with policymakers on sustainability risk and stewardship matters.



Combining the integration of sustainability risks and opportunities with broader monitoring and engagement activities may affect the value of investments and therefore returns. Furthermore, investments within the Company's portfolio do not take into account the EU Taxonomy criteria for environmentally sustainable economic activities. Further information on the Manager's approach on ESG sustainable investing and sustainability risk integration approaches by asset classes can be found is available at [www.abrdn.com](http://www.abrdn.com) under "Sustainable Responsible Investing".

## **2. Principal Risks and Uncertainties**

The Board ensures that proper consideration of risk is undertaken in all aspects of the Company's business on a regular basis. During the year, the Board carried out an assessment of the risk profile of the Company, including consideration of risk appetite, risk tolerance and risk strategy. The Board regularly reviews the principal and emerging risks of the Company, seeking assurance that these risks are appropriately rated and ensuring that appropriate risk mitigation is in place.

### **The group and its objectives become unattractive to investors, leading to widening of the discount.**

This risk is mitigated through regular contact with shareholders, a regular review of share price performance and the level of the discount or premium at which the shares trade to net asset value and regular meetings with the Company's broker to discuss these points and address any issues that arise. Geopolitical risk increased the volatility of the Company's share price and, reflecting wider market sentiment, has resulted in the Company's shares trading at a discount to prevailing NAV of 26.4% as at 31 December 2022, in-line with other diversified peers in the Company's AIC peer group.

### **Net revenue falls such that the Company cannot sustain its level of dividend, for example due to tenant failure, voids or increased costs.**

This risk is mitigated through regular review of forecast dividend cover and of tenant mix, risk and profile. Due diligence work on potential tenants is undertaken before entering into new lease arrangements and tenants are kept under review through regular contact and various reports both from the managing agents and the Investment Manager's own reporting process.

Contingency plans are put in place at units that have tenants that are believed to be in financial trouble. The Company subscribes to the MSCI Iris Report which updates the credit and risk ranking of the tenants and income stream, and compares it to the rest of the UK real estate market.

During 2022 the significantly heightened geopolitical uncertainty and cost of living crisis have resulted in inflationary pressures and vulnerabilities in supply chains being exposed. Government initiatives have eased some of these pressures and we are yet to see the full impact which could impact upon our tenants' ability to trade profitably. Uncertainty or change in the macroeconomic environment results in property becoming an undesirable asset class, causing a decline in property values.

This risk is managed through regular reporting from, and discussion with, the Investment Manager and other advisers. Macroeconomic conditions form part of the decision-making process for purchases and sales of properties and for sector allocation decisions.

The impact of geopolitical uncertainty and the cost of living crisis have resulted in inflationary pressures which have impacted both property values and the ability of tenants to pay rent.

Real estate holdings of good quality and rental growth prospects can appear more attractive at such times to offer a partial hedge against inflationary pressures.

### **Environmental**

Environmental risk is considered as part of each purchase and monitored on an ongoing basis by the Investment Manager. However, with extreme weather events both in the UK and globally becoming a more regular occurrence due to climate change, the impact of the environment on the property portfolio and on the wider UK economy is seen as an increasing risk.

Other risks faced by the Group include the following:

- **Tax efficiency** – the structure of the Group or changes to legislation could result in the Group no longer being a tax efficient investment vehicle for shareholders.
- **Regulatory** – breach of regulatory rules could lead to the suspension of the Group's Stock Exchange Listing, financial penalties or a qualified audit report.

- **Financial** – inadequate controls by the Investment Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- **Operational** – failure of the Investment Manager’s accounting systems or disruption to the Investment Manager’s business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to loss of shareholder confidence.
- **Business continuity** – risks to any of the Company’s service providers or properties, following a catastrophic event e.g. terrorist attack, cyber-attack, power disruptions or civil unrest, leading to disruption of service, loss of data etc.
- **Refinancing** – risk that the Company is unable to renew its existing facilities, or does so on significantly adverse terms, which does not support the current business strategy.

The Board seeks to mitigate and manage all risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Group’s property portfolio, levels of gearing and the overall structure of the Group.

### **Emerging Risks**

Emerging risks have been identified by the Board through a process of evaluating relatively new risks that have emerged and increased materially in the year, and subsequently, or through market intelligence are expected to grow significantly and impact the Company. Any such emerging risks are likely to cause disruption to the business model. If ignored, they could impact the Company’s financial performance and prospects. Alternatively, if recognised, they could provide opportunities for transformation and improved performance.

### **Economic and Geopolitical.**

Russia’s invasion of Ukraine is the largest, most dangerous military conflict in Europe since WWII. Russian President Vladimir Putin failed in his initial aim to destroy Ukrainian sovereignty and has since increased attacks on Ukraine’s energy and civilian infrastructure. A settlement or even a ceasefire looks unlikely for now. Instead, an extended conflict is anticipated, alongside a long term political, economic and military standoff between the West and Russia. Intentional or accidental escalation between NATO and Russia remains a risk.

The Investment Manager expects global markets to remain volatile. From a macro-economic perspective, higher medium-term oil, gas and food prices alongside financial market disruption and sanctions on Russia could lead to a continuation of the already elevated inflationary environment, which will in turn weaken the outlook for economic growth. There is also the risk of further interest rate increases. A period of prolonged instability, with impacts for Europe in particular, is now clearly a potential outcome.

Tensions are also increasing in the relationship between the United States and China which could lead to greater protectionism and a decline in global trade. In particular, the future of Taiwan is uncertain and as one of the largest producers and exporters of microchips in the world could cause considerable disruption if its independence was threatened.

The current economic and geopolitical environment is unpredictable, and changing rapidly, and this may affect the real estate valuations in the Company’s portfolio.

### **Climate.**

Climate change is happening now and its rate of change and impact on the environment will depend on the planet’s success in controlling global emissions. The average surface temperature in the UK has risen by 1.2oC since pre-industrial times, and further warming is predicted. More extreme weather events are also expected in future which could cause serious damage to infrastructure and property. The extent of climate change and the necessary regulation to control it are uncertain and will continue to be monitored.

### **The Legacy of COVID-19.**

Although the direct impact of COVID-19 on our lives has receded, it has introduced or accelerated some structural changes to the ways that we live, work and consume and reformed our expectations of our environment and society. In particular, the trend towards flexible and home working is affecting the use of offices, with sustainability, health, wellbeing and the social impact of office use increasing in importance.

COVID-19 has also impacted the way that we that we shop: social distancing measures in response to the pandemic have accelerated the increase in on-line shopping and decline in physical retailing. This has created challenging conditions for traditional retailers and their landlords. It is still uncertain how the role of offices and retail

will develop and they both continue to be assessed in order to protect the portfolio but also to identify new investment opportunities.

### **Technology.**

Technology is also rapidly changing the habits of businesses and consumers which in turn is impacting occupiers' future requirements for property and leading to greater disparity in the performance of different property sectors and also within each sector itself. Advances in technology have enabled many of the behavioural changes in the use of real estate: for example, the increased use of video conferencing by businesses has facilitated a more permanent shift to home working and could also redefine the need for office space in the future.

Robotics and automation are also altering the specifications for industrial buildings and greater use of data and advanced analytics is driving the need the data storage and data centres. Technology is also increasingly contributing to improvements in the sustainability of properties. If landlords fail to embrace technology, they may face the risk of "stranded" assets in the future.

## **3. Risk Management Systems**

The directors of abrdn Fund Managers Limited collectively assume responsibility for the Manager's obligations under the AIFMD including monitoring the Company's risk profile during the year.

The Manager, as a fully integrated member of the abrdn group of companies, receives a variety of services and support in the conduct of its business activities from the resources of the abrdn Group. The Manager conducts its risk oversight, including in the conduct of its risk oversight function, through the operation of the abrdn Group's risk management processes and systems. Further details of the abrdn Group's risk management programme and systems are set out in the Appendix to this document.

## **4. Leverage**

### **Leverage limits**

The maximum leverage which the Manager is entitled to employ on behalf of the Company (expressed as a ratio to total assets) is:

Commitment Method	250%
Gross Method	400%

### **Types of leverage**

Leverage is a common feature of most closed ended property funds (and particularly UK REITs) and would be utilised in order to provide enhanced returns for shareholders. The AIFM believes the maximum level of leverage supports the ability of the Company to acquire assets which help generate additional income returns for the Company, along with potential capital increases, compared to the cost of such leverage.

The Company's policy is not to restrict the type of borrowing it can enter into. This deliberately provides flexibility for the Company to establish over time a diversified borrowing strategy involving different sources (bank as well as other financial institutions) and staggered maturity profiles with varying term lengths. Whilst the use of leverage may enhance returns to investors, it may also have the effect of increasing losses.

The use of leverage will be subject to both the maximum leverage limit set out below plus the gearing limits approved by shareholders included in the Company's investment policy, namely:

The AIFM is required by the AIFM Directive to set a maximum level of leverage which it may employ on behalf of the Company and is calculated in a significantly different manner to that described above.

The AIFM Directive defines "leverage" as "any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means". Leverage is expressed as the ratio of the AIF's "exposure" to its net asset value. For these purposes, the "exposure" of an AIF is calculated by a "gross" and a "commitment" method. Under each method, "exposure" is calculated by aggregating the values of all positions of the AIF. However, whereas the exposure of an AIF calculated in accordance with the "gross" method is the sum of the absolute value of all positions, the "commitment" method allows certain investment positions to be excluded from the calculation if these aim at offsetting some risk such as 'netting' and 'hedging' arrangements. Under these methods of calculation, the gearing limit for Standard Life Investments Property Income Trust Limited has been set at 400% and 250% for the gross and commitment method respectively.

## **Disclosure of information in relation to leverage**

The Company will disclose on its website at the same time as it makes its annual report and financial statements available to investors or more frequently at its discretion, the following:

- any changes to the maximum level of leverage that the AIFM may employ on behalf of the Company;
- any changes to the right of reuse of collateral or any guarantee granted under the leveraging arrangements; and
- the total amount of leverage employed by the Company.

## **5. Modification of Investment Policy**

In accordance with the Financial Conduct Authority's ("FCA") listing rules, any material change to the Company's investment policy will require the FCA's prior approval as well as the approval of Shareholders. In considering what is a material change the Company must have regard to the cumulative effect of any changes since Shareholders last had the opportunity to vote.

## **6. Contractual Relationship Between the Company and Investors, Applicable Law and the Enforcement of Judgements**

The Company is incorporated as a closed ended investment company under the provisions of the Companies (Guernsey) Law, 2008 (as amended) and its ordinary shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange.

Investors who acquire shares in the Company will do so subject to the Articles. The Articles are one of the Company's constitutional documents and contain the rights and restrictions attaching to the Company's shares. The Articles are governed by Guernsey law and may only be amended by way of a special resolution. A shareholder's liability to the Company will be limited to the value of the shares held by such shareholder.

As the Company is incorporated in Guernsey, it may not be possible for an investor located outside that jurisdiction to effect service of process upon the Company within the local jurisdiction in which that investor resides. All or a substantial portion of the assets of the Company may be located outside of the local jurisdiction in which an investor resides and, as a result, it may not be possible to satisfy a judgment against the Company in such local jurisdiction or to enforce a judgment obtained in the local jurisdiction's courts against the Company.

A number of legal instruments provide for the recognition and enforcement in Guernsey of judgments given in other states. Where no particular legal instrument applies, a judgment creditor may nevertheless have rights to seek to enforce a judgement under Guernsey law.

Details on how to invest in the Company are set out in the Annual Report.

## **7. Information on the AIFM, Depositary and Service Providers**

### **AIFM/Manager**

The Company has appointed abrdn Fund Managers Limited, which is a company limited by shares and incorporated in England & Wales, as its alternative investment fund manager. The Manager is a subsidiary of abrdn, a company incorporated in Scotland.

The Manager is authorised and regulated by the FCA as an alternative investment fund manager. Pursuant to the Management Agreement, the Manager provides investment management services (including portfolio management), risk management services and general administrative services to the Company.

The duties of the Manager also include (but are not limited to) the following:

- The proper valuation of the Company's assets and the calculation and publication of the Net Asset Value of the Company
- To review its delegation of the portfolio management function to the Investment Manager on an ongoing basis
- To ensure that appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the Company can be performed

- To implement a risk management system to identify, measure and manage appropriately all risks relevant to the Company's investment strategies and to review this system on an annual basis
- To ensure that a single depositary is appointed to ensure, among other things, the proper monitoring of the Company's cash flows and the safe-keeping of the Company's assets that can be held in custody
- To employ an appropriate liquidity management system
- To adopt procedures enabling it to monitor the liquidity risk of the Company and ensure that the liquidity profile of the Company's investments complies with its underlying obligations
- To use adequate and appropriate human and technical resources necessary for the proper management of the Company
- To make available an annual report for the Company no later than four months following the end of its annual accounting period

The Management Agreement contains customary termination provisions and may be terminated on six months' written notice by either the Company or the Manager. The Company may also terminate the Management Agreement immediately *inter alia* if the Manager ceases to maintain its regulatory permission to act as AIFM and following a change of control of the Manager or if the Investment Manager ceases to maintain its regulatory permissions. In addition, either party may terminate the agreement immediately by notice upon the occurrence of certain events including the insolvency or winding up of the other party and a material breach of contract.

The Manager has delegated the portfolio management of the Company to abrdn Investments Limited. Further details of the delegation arrangements are set out in paragraph 9 below.

### **Depositary**

The Company has appointed Citibank UK Limited to act as its depositary. Pursuant to the Depositary Agreement, the Depositary must carry out the duties specified in AIFMD, including:

- Safekeeping of the assets of the Company which are entrusted to it
- Cash monitoring and verifying the Company's cash flows
- Oversight of the Company and the Manager, including
  - Ensuring that the sale, issue, re-purchase, redemption, transfer, buy back and valuation of shares are carried out in accordance with the Company's constitutional documentation and applicable laws, rules and regulations
  - Ensuring that in transactions involving the Company's assets the consideration is remitted to the Company within the usual time limits
  - Ensuring that the Company's income is applied in accordance with the Company's constitutional documentation and applicable laws, rules and regulations
  - Carrying out instructions received from the Manager unless they conflict with the Company's constitutional documentation or any applicable law, rule or regulation, or the provisions of the Depositary Agreement

In carrying out such functions the Depositary must act honestly, fairly, professionally, independently and in the interests of Shareholders.

The Depositary is liable to the Company and/or Shareholders for the loss of a financial instrument held in custody by the Depositary or a delegate, unless the Depositary is permitted to discharge, and has discharged, such liability under AIFMD and the Depositary Agreement. The Manager will inform investors of any changes with respect to the Depositary's liability for the loss of a financial instrument held in its custody. The Depositary is also liable to the Company and/or the shareholders for all other losses suffered by them as a result of the Depositary's negligent and/or intentional failure to properly fulfil its duties.

Under the Depositary Agreement, the Company has indemnified the Depositary and its delegates against certain liabilities and expenses resulting from the Depositary's performance of its obligations under the agreement or where the Depositary has acted in accordance with authorised instructions, except where (i) the Depositary is in material breach of contract, is negligent or has intentionally failed to carry out its obligations, is in wilful default or there is fraud; or (ii) any affiliate of the Depositary has been negligent, has failed to take reasonable care or has been fraudulent in connection with the services provided.

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new depositary is appointed by the Company.

## **Auditor**

Deloitte LLP has been appointed as the Company's auditor responsible for auditing the annual financial statements in accordance with auditing standards and, as appropriate, regulations, and for providing its report to the Company's shareholders in the annual report and financial statements. In addition, applicable law and regulation may require other reports to be prepared for the Company and, as the appointed auditor of the Company, the Auditor will undertake such work under the auditor service agreement between the Company and the Auditor.

## **Registrar**

The registrar of the Company is Computershare Investor Services (Guernsey) Limited which is responsible for keeping the register of Shareholders, which may be inspected at the Registrar's office at 1<sup>st</sup> Floor, Tudor House, Le Bodge, St Peter Port, Guernsey, Channel Islands GY1 1DB during normal business hours.

## **Stockbroker**

Winterflood Securities Limited has been appointed as the Company's stockbroker to provide the Company with corporate broking and associated financial advisory services.

Investors' rights against service providers will vary depending on a range of factors. If the relevant service provider is an authorised person under FSMA carrying out a regulated activity with respect to the Company, then a contravention by it of a Rule contained within the FCA Handbook may in certain circumstances give rise to a claim for breach of statutory duty against that service provider by an investor who suffers loss as a result of that contravention. Investors may also be afforded certain rights against service providers by the general law.

## **8. Protection from Professional Liability Risks**

The Manager has effective internal operational risk management policies and procedures in order to appropriately identify measure, manage and monitor operational risks, including professional liability risks, to which it is or could reasonably be exposed. These policies and procedures are subject to regular review and the operational risk management activities are performed independently as part of the risk management policy.

The management of operational risk, through the risk and control self-assessment process, is aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses. All risks and events are facilitated via the internal risk management system, which provides a platform to facilitate the convergence of governance, risk and compliance.

The Manager is required to cover professional liability risks, such as the risk of loss of documents evidencing title of assets to the Company, and complies with such requirement by maintaining an amount of its own funds in accordance with AIFMD.

## **9. Delegation Arrangements and Management of Conflicts**

### **Delegation arrangements**

From time to time, the AIFM may delegate certain management functions to its affiliated subsidiaries or third parties.

### **Portfolio Management**

The Manager has delegated portfolio management to the Investment Manager, which is authorised and regulated by the Financial Conduct Authority. The Investment Manager is part of the abrdn Group of which the Manager is also part.

Pursuant to the Investment Management Agreement the Investment Manager will be responsible for managing the purchase and sale of investments within the categories allowed. The Investment Manager has discretion to take day to day investment decisions and to deal in investments in relation to the investment management of the Company, without prior reference to the Manager. The Manager is entitled to give further instructions to the Investment Manager. Notwithstanding the delegation of portfolio management to the Investment Manager, the Manager will at all times remain responsible for the portfolio management function and the Investment Manager has undertaken to abide by, and be subject to, the Manager's overall supervision, direction and control.

### **Company secretarial duties**

The Manager has delegated the company secretarial duties to Northern Trust International Fund Administration Services (Guernsey) Limited. Pursuant to the CoSec Agreement, the Company Secretary provides company secretarial services including convening meetings of Directors and general meetings of the Company, keeping the statutory books and records of the Company, maintaining the Company's register, preparing and delivering

company announcements and other company secretarial duties properly or reasonably performed by the secretary of a company or as the Manager may reasonably require.

### **Depository delegation**

The Depository has given notice that it will delegate certain safekeeping functions entrusted to it by the Company to various formally appointed delegates and third parties including in countries outside the domicile of the Company or the Depository (including central securities depositories, securities settlement systems, clearing houses, book-entry securities system and similar depositories, systems or facilities) in accordance with the provisions of AIFMD and the Depository Agreement.

### **Conflicts of interests**

The Manager and the Investment Manager are committed to treating clients and shareholders fairly and have implemented procedures and processes to ensure that this is the case. In particular, the Manager and the Investment Manager have approved and adopted the abrdn Group's Conflicts of Interests Policy.

The objective of the Conflicts of Interests Policy is to ensure the fair treatment of clients and shareholders in cases of conflicts of interests or potential conflicts of interests which may arise in the course of providing management, advisory or administrative services to the Company.

To achieve this objective, the Conflicts of Interests Policy seeks to ensure that the Company and its service providers and the Manager and its delegates have adequate organisational and structural measures in place:

- To identify circumstances which constitute or may give rise to a conflict of interests entailing a material risk of damage to the interests of the Company or its shareholders
- To provide procedures, mechanisms and systems to manage or resolve any such conflicts of interests; where such conflict cannot otherwise be avoided, ensuring that the Company, the Manager and the Investment Manager always act in the best interests of shareholders
- To maintain a proper record of any such conflict or potential conflict and to ensure proper reporting to affected shareholders

The following circumstances have been identified as constituting or potentially giving rise to conflicts of interests:

- The Depository is responsible for the oversight of the Manager's discharge of its duties
- Directors of the Manager are senior executives of, and employed by, the abrdn Group
- The Manager, the Investment Manager and the Company Secretary are affiliated entities of the abrdn Group.
- The key terms of the Investment Management Agreement and the CoSec Agreement are similar to those which might be agreed between independent third parties
- The Investment Manager has discretion to enter into foreign exchange hedging transactions and borrowings on behalf of the Company. The Investment Manager may appoint an affiliate of any existing service provider or any other third party to act as a counterparty in the execution of foreign exchange transactions in connection with the currency hedging activities of the Company and/or to implement the currency hedging strategy
- The abrdn Group and its affiliates may hold or trade in securities and instruments of the same type as the securities and instruments held or traded in by the Company; they may also utilise the same or similar strategies as those adopted by the Investment Manager on behalf of the Company. In addition, the Company may make investments in other funds managed or advised by the abrdn Group or its affiliates

In order to ensure that actual and potential conflicts of interests are appropriately identified, managed and monitored, the abrdn Group has established a formal committee which operates under documented terms of reference and which meets regularly to maintain oversight of the Conflicts of Interests Policy and the management of live conflicts situations. abrdn maintains a documented matrix of known or inherent conflicts of interests, as well as a documented register of live actual or potential conflicts of interests arising in the carrying on of its business operations.

## **10. Valuation Procedures**

The Company's accounting policies, including in relation to the valuation of investments, are set out in the Notes to the Financial Statements in the Annual Report.

The Company has delegated a number of its duties to the Manager including the proper valuation of the Company's assets, the calculation of the Net Asset Value of the Company and the publication of such Net Asset

Value. Accordingly, the Manager has approved and adopted abrdn's Valuation Policy. The Manager considers that the Valuation Policy contains appropriate and consistent procedures to ensure that a proper and independent valuation of the assets of the Company can be performed.

Valuations of the properties in the Company's portfolio are performed by accredited external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment properties being valued. The valuation models utilised comply with the Royal Institute of Chartered Surveyors ('RICS') requirements on disclosure for Regulated Purpose Valuations (RICS Valuation – Professional Standards January 2014 (revised April 2015) published by the Royal Institution of Chartered Surveyors). These valuation models are consistent with the principles in international financial reporting standard 13.

There is a Property Valuation Committee, comprising the full Board, which meets four times a year. The Committee is convened for the purpose of reviewing the quarterly independent property valuation reports prior to their submission to the Board. The Chairman of the Property Valuation Committee meets with the independent property valuer at least annually.

## **11. Liquidity Risk Management and Redemption Rights**

The Manager has a Liquidity Policy in place. Shares in the Company are not redeemable and shareholders do not have the right to require their shares to be purchased by the Company. Accordingly, the Liquidity Policy ensures that the Company's investment portfolio is sufficiently liquid to meet the following principal obligations:

- the Company's operating and financing expenses: in practice, these expenses are typically covered by the rent received from the Company's investments; and
- the possible need to repay borrowings at short notice, which would require to be met by the sale of assets.

For closed ended funds such as the Company, due to the illiquid nature of the underlying assets and the risks to the Company of not being able to realise a sale or acquire a property quickly enough, this policy focuses, primarily, upon the potential issues with regard to the mis-pricing of illiquid securities and sets out primary and secondary controls, to monitor and manage liquidity in the Company. There are primary controls (diversified portfolio, appropriate prime / secondary emphasis to portfolio, risk limits on void and development exposure); and secondary controls (e.g. stress tested cash projections, solvency reports, covenant reporting). The abrdn Investments Valuation and Pricing Committee is responsible for the pricing of illiquid securities.

This policy involves an assessment by the AIFM of the values at which it expects to be able to liquidate its assets over varying hypothetical periods in varying market conditions, taking into account the sensitivity of particular assets to particular market risks and other relevant factors. None of the Company's assets are subject to special arrangements arising from their illiquid nature but a significant proportion of the Company's assets are, and are expected to be, invested in property assets which are not highly liquid.

The Liquidity Policy is reviewed and updated, as required, on at least an annual basis.

## **12. Fees, Charges and Expenses**

The Manager charged, for the year ended 31 December 2022, an annual fee of 0.70% of the Company's gross asset value (as defined in the Annual Report) up to £500million and 0.60% of gross asset value in excess of £500million.

The fee is payable quarterly and is calculated on the basis of gross asset value at the end of each quarter.

With effect from 1 January 2023, the Manager will charge an annual fee of 0.60% of the Company's gross asset value up to £500million and 0.50% on gross asset value in excess of £500million.

The Company also incurs annual fees, charges and expenses in connection with company secretarial and administration functions, directors' fees, promotional activities, auditors' fees, lawyers' fees and depositary charges. The Company's Ongoing Charges (which include the management fee), excluding direct property costs, amounted to 1.1%, as disclosed in the latest Annual Report.

## **13. Fair Treatment/Preferential Treatment of Investors**

The Manager is subject to the FCA's rules on treating customers fairly and has adopted a policy regarding treating customers fairly, the operation of which is overseen by a formal committee comprised of senior managers from the abrdn Group's various business units and from its risk division. The role of the Conduct Risk Committee, which meets regularly and operates under documented terms of reference, is to ensure, among other matters, that the Conduct Risk Policy is implemented and maintained and to consider any actual or potential Conduct Risk Policy issues arising in connection with the abrdn Group carrying on its business operations. General awareness training on the Conduct Risk Policy and what it means to the abrdn Group and its customers is delivered to all abrdn Group staff.

No investor in the Company obtains preferential treatment or the right to obtain preferential treatment.

#### **14. Availability of the AIF's Latest Annual Report**

The Company's latest annual report is available on the Company's website: [www.abrdnpit.co.uk](http://www.abrdnpit.co.uk)

#### **15. Procedure and Conditions for the Issue and Sale of Shares**

The issue of new shares by the Company, either by way of a fresh issue of shares or by way of the sale of shares from treasury, is subject to the requisite shareholder authorities being in place and all FCA listing rule requirements having been met. Shares in the Company can also be bought in the open market through a stockbroker. They can also be purchased through the abrdn savings schemes and qualify fully for inclusion within tax-efficient ISA wrappers. Further information about how shares in the Company may be purchased is set out in the section headed "Investor Information" in the Annual Report.

#### **16. Latest NAV of the AIF**

The Company's NAV is published quarterly by way of an announcement on a regulatory information service.

For internet users, additional data on the Company, including the latest published NAV, the closing price of ordinary shares for the previous day of trading on the London Stock Exchange, performance information and a monthly factsheet, is available on the Company's website: [www.abrdnpit.co.uk](http://www.abrdnpit.co.uk).

#### **17. AIF's Historical Performance**

The Company's historical performance data, including copies of the Company's current and previous annual report and financial statements, are available on the Company's website: [www.abrdnpit.co.uk](http://www.abrdnpit.co.uk).

#### **18. Prime Brokerage**

The Company has not appointed a prime broker.

#### **19. Periodic Disclosures**

The Manager will, at least as often as the annual report and financial statements are made available to Shareholders, make the following information available to shareholders:

- Any changes to (i) the maximum level of Leverage that the Manager may employ on behalf of the Company and (ii) any right of reuse of collateral or any guarantee granted under any leveraging arrangement
- The total amount of Leverage employed by the Company
- The percentage of the Company's investments which are subject to special arrangements resulting from their illiquid nature
- The current risk profile of the Company outlining (i) measures to assess the sensitivity of the Company to the most relevant risks to which the Company is or could be exposed and (ii) if risk limits set by the Manager have been or are likely to be exceeded and where these risk limits have been exceeded, a description of the circumstances and the remedial measures taken
- The risk management systems employed by the Manager outlining the main features of the risk management systems employed by the Manager to manage the risks to which the Company is or may be exposed. In the case of a change, information relating to the change and its anticipated impact on the Company and shareholders will be made available

The Manager will inform Shareholders as soon as practicable after making any material changes to its liquidity management system and procedures. Any material changes to the periodic disclosures will be provided to Shareholders by way of an announcement to a regulatory news service.

## 20. Defined Terms

The following defined terms are used in this pre-investment disclosure document:

<b>abrdrn or abrdrn Group</b>	abrdrn plc, a company registered in Scotland, and its subsidiaries
<b>AIFMD</b>	European Union Directive 2011/61/EU, together with its implementing measures
<b>AIFM or Manager</b>	abrdrn Fund Managers Limited
<b>Annual Report</b>	The Company's Annual Report and Financial Statements for the relevant financial year, the most recent year being the year ended 31 December 2022
<b>Articles</b>	The Company's articles of association, as amended from time to time
<b>Auditor</b>	Deloitte LLP
<b>Brussels Regulation</b>	Council Regulation (EC 44/2001) of 22 December 2000, concerning the recognition and enforcement in England and Wales of judgments given by the courts of most EU member states in civil and commercial matters
<b>Commitment Method</b>	The commitment method for calculating leverage as prescribed under Article 8 of the AIFMD, which excludes certain hedging instruments from the calculation
<b>Company or AIF</b>	abrdrn Property Income Trust Limited
<b>Company Secretary</b>	Northern Trust Fund Administration Services (Guernsey) Limited
<b>Conduct Risk Committee</b>	abrdrn's formal committee for overseeing, among other matters, the Conduct Risk Policy
<b>Conduct Risk Policy</b>	abrdrn's documented policy regarding treating customers fairly
<b>CoSec Agreement</b>	the company secretarial agreement between the Company and the Company Secretary dated 4 December 2003
<b>Conflicts of Interests Policy</b>	abrdrn's documented conflicts of interests policy
<b>Depositary</b>	Citibank UK Limited, a public limited company having its registered office at Canada Square, Canary Wharf, London, E14 5LB.
<b>Depositary Agreement</b>	Depositary agreement among the Company, Standard Life Investments (Corporate Funds) Limited and the Depositary dated 14 July 2014, and novated from Standard Life Investments (Corporate Funds) Limited to the Manager on 10 December 2018, as updated from time to time
<b>ESG</b>	Environmental, social and governance
<b>FCA</b>	The Financial Conduct Authority
<b>FCA Handbook</b>	The FCA's Handbook on rules and guidance
<b>FSMA</b>	Financial Services and Markets Act 2000, as amended
<b>Gross Method</b>	The gross notional method for calculating leverage as prescribed under Article 7 of the AIFMD, which includes certain hedging instruments within the calculation
<b>Investment Manager</b>	abrdrn Investments Limited
<b>Investment Management Agreement</b>	Investment management agreement between the Manager and the Investment Manager dated 7 July 2014, and novated by Standard Life Investments (Corporate Funds) Limited to the Manager on 10 December 2018
<b>Leverage</b>	Any method by which the AIFM increases the exposure of the Company whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means
<b>Liquidity Policy</b>	abrdrn's documented policy regarding liquidity risk management
<b>Management Agreement</b>	management agreement between the Company and Standard Life (Corporate Funds) Limited dated 7 July 2014 as novated to the Manager on 10 December 2018
<b>Net Asset Value or NAV</b>	The net asset value of the Company
<b>Ongoing Charges</b>	Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the Association of Investment Companies' industry standard method
<b>Registrar</b>	Computershare Investor Services (Guernsey) Limited
<b>Shareholders</b>	Shareholders in the Company

**Stockbroker**  
**Valuation Policy**

Winterflood Securities Limited

abr dn's documented valuation policy regarding the production and oversight of net assets values of collective funds in the Europe, Middle East and Africa region

**Other important information:**

Issued by abr dn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Registered in England & Wales under company number 00740118. Registered Office at 280 Bishopsgate, London EC2M 4AG. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.

# Appendix to Pre-investment Disclosure Document

## abrdr Fund Managers Limited: Risk management

### Risk Management function

abrdr plc, and its subsidiaries (together “the Group”), is committed to building and continuously improving a sound and effective system of internal control and a risk management framework that is embedded within its operations; this is the Group’s first line of defence.

The Group’s Risk Division, as the second line of defence, exists to support management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Conduct & Compliance, Operational Risk and investment risk Oversight. The team is headed by the Group’s CRO, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group’s operational risk management system (SHIELD).

The Group’s Internal Audit Department is independent of the Risk Division and reports directly to the Group CEO and to the chair of the Audit Committee of the Group’s Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group’s control environment; it is the Group’s third line of defence.

The Group’s corporate governance structure is supported by several committees that bring together Group’s subject matter experts from different departments, to assist the Boards of Directors of abrdr plc, its subsidiaries and the funds to fulfil their roles and responsibilities. The Group’s Risk Division is represented on all committees, with the exception of those that deal with investment recommendations to the Boards. The specific goals and guidelines on the functioning of these committees are described in their respective terms of reference.

### Description of the process of identifying, assessing and managing risks

- **Market risk:** Is monitored through factor modelling used to calculate both absolute and relative ex ante quantities such as tracking error (TE) and Value at Risk (VaR). The VaR is computed on a NAV basis as the maximum loss that the portfolio should incur over 20 days, 99% of the time under normal market conditions. The fund’s portfolio risks are decomposed into intuitive components to pinpoint areas of unexpected market risk. The techniques are applied to all relevant asset classes. The market risk is further monitored through the computation of the level of leverage by both the gross and net approach. The leverage is calculated by converting each FDI into the equivalent position in the underlying assets of those derivatives, on a NAV basis. The market risk

linked to the concentration risk is mitigated through investment restrictions set according to the basic principle of diversification.

- **Liquidity risk:** The Group has a Liquidity Risk Management Policy in place applicable to the funds and set out in accordance with its overall Risk Management Process, relative to the size, scope and complexity of the funds. Liquidity Risk is monitored on both the asset and liability sides. To measure and monitor asset liquidity risk the Group employs a number of methods specific to the underlying assets. In all cases, the approach is to reference the actual holdings of the sub-fund against a true measure of the market at both an aggregate and a position level. The Group has implemented a Group Pricing Policy which details the operational responsibilities for pricing assets, this policy is owned and overseen by the Group pricing Committee. On the liability side, investor transactions and, beyond this, investor behaviour are the main driver of liquidity within each sub-fund. In this context, the articles and prospectuses contain certain key provisions or limits which provide protection to the funds and ultimately investors, in situations where liquidity might become a concern. In addition, the fund receives and analyses periodic reports in respect of the shareholder concentration within each sub-fund. Any shareholder concentrations and transactional behaviour are identified at sub-fund level and any particular concerns noted are escalated to the relevant Group Committee and respective Boards, if material.
- **Credit and counterparty risk:** The credit and counterparty risks linked to derivatives transactions are managed through processes outlined in the Group’s Counterparty Credit Risk Policy. This Policy underpins on the following principles: Internal Credit assessments; credit limits; exposure calculation and oversight and Control. Credit research on counterparties is carried out by the Credit Investment Team. Research is conducted on the basis of qualitative and quantitative analysis and is presented for discussion at the Credit Committee on a monthly basis. Each counterparty is reviewed at least once per annum. Furthermore the Risk and Exposure Committee (REC) and/or credit Committee can impose house level restrictions on concentrations. Credit risk exposures are calculated net of collateral received. The methodology for calculating an amount for potential exposure arising from movements in mark to market is approved by the REC. Acceptable collateral and other commercial and credit terms for inclusion in the International Swap and Derivative Association (ISDA) documentation is defined in the Group Derivative Management Policy. Counterparty credit exposures are monitored against internal limits by an investment control team and monitored by the Group Credit Committee and Risk and Exposure Committee.
- **Legal risk:** All key contractual arrangements entered into by the funds are reviewed by the Legal Department and, where required, by external legal counsel. If these contracts refer to delegation arrangements, where

applicable, there is an operating memorandum defining information flows between the parties, frequency of services and deadlines, a clear attribution of rights and responsibilities of each party and, when applicable, the key performance indicators to measure performance. Any litigation issues are also handled by the Legal Department.

Each OTC derivatives are framed within the legal provisions of the ISDA Master agreement which defines the rights and obligations of parties engaging in derivatives trading. The ISDA master agreements are negotiated and signed between each umbrella/sub-fund and the counterparty. The Credit Support Annex (CSA) is a legally binding document which is annexed to the ISDA agreement and details the Minimum Transfer Amount (MTA) or collateral required by AAML when engaging in OTC derivatives trading with counterparties. The Group Derivative Management Committee is responsible for approving the commercial terms associated to derivative documentation for the Group.

- **Tax risk:** The Group uses external tax consultants to advise on tax structuring, transactions and tax reporting.
- **Operational risk:** The Operational Risk Management Framework ensures that the operational risks taken and their contribution to the overall risk profile are accurately measured on the basis of sound and reliable data and that the risk measurement arrangements, processes and techniques are adequately documented. The identification, measurement, management and monitoring of operational risk within the Group are achieved through the use of the Group's Operational Risk Management Framework System, SHIELD. This system provides the following key Risk Management Modules:
  - *Event Management:* This module serves as a historical loss database, in which any operational failures, loss and damage experience (Events) will be recorded. The records include professional liability damages. The process for recording, investigation and mitigation of Events aims to ensure that they are not repeated.
  - *Issues and Actions Plan:* The issues and actions module provides a standardised mechanism for identifying, prioritising, classifying, escalating and reporting internal audit findings and other on-going / unresolved matters impacting the Group from a risk or regulatory perspective (Issues).
  - *Risk and Control Self Assessment (RCSA):* The RCSA process is to ensure key risks and key controls are identified and managed effectively in order to satisfy, at a Group level, Internal Capital Adequacy (ICAAP) requirements. The RCSA also provides a systematic and holistic means of identifying risk and control gaps that could impact business or process objectives which are agreed by senior management to complete.

- *Business Continuity Plan (BCP):* Is in place and designed for invocation where there has been significant disruption to normal business functions at any abrdn plc office that is likely to last longer than 24 hours.

### Measuring risk

Where appropriate the Group applies the following measurements for each fund:

- **Leverage:** Has the effect of gearing a fund's expected performance by allowing a fund to gain greater exposure to underlying investment opportunities (gains and losses). The higher the leverage the greater the risk (potential loss).
- **Volatility, Value-at-Risk (VaR) and Conditional VaR (CVaR):** Volatility measures the size of variation in returns that a fund is likely to expect. The higher the volatility the higher the risk. VaR measures with a degree of confidence the maximum the fund could expect to lose in any one given day, assuming a normal (Gaussian) distribution, this is a function of the volatility of the fund. The higher the volatility, the higher the VaR, the greater the risk. CVaR calculates the expected loss, under the assumption that the VaR has been reached.
- **Tracking error (TE):** Measures the expected magnitude of divergence of returns between the fund and benchmark over a given time.
- **Systematic and stock specific risk:** Systematic risk represents the proportion of a fund's risk that is attributable to market exposure; and specific risk represents the risk that is intrinsic to individual stocks (i.e. particular to a given stock's attributes).
- **Stress test and scenario analysis:** Captures how much the current portfolio will make or lose if certain market conditions occur.
- **Concentration risk:** By grouping the portfolio through various different exposures: country, sector, issuer, asset etc., to identify where concentration risk exists.

### Escalation and reporting

The Group recognises timely and adequate reporting measures as well as escalation channels to be key components of the control process and management of risk.

The Risk team provide regular updates to the Board/senior management on the adequacy and effectiveness of the Risk Management Process indicating, where applicable, actual or anticipated deficiencies and the remedial measures.

In addition, all issues and events impacting any Group entity or the funds are logged in SHIELD, by the relevant area within the prescribed time limits.