This information is for professional clients and investment professionals only and should not be relied upon by retail investors.
Past performance is not a guide to the future.

ASI Global Real Estate Share Fund

Quarterly Update - Q4 2019

AberdeenStandard Investments

The ASI Global Real Estate Share Fund quarterly update provides an overview of the market; fund performance, positioning and portfolio changes; and the fund manager's outlook for the months ahead.

ASI Global Real Estate Share Fund, a Sterling denominated sub fund of the Aberdeen Standard OEIC V, Institutional Accumulation Shares (ISIN: GB00B1LBR307). This fund is managed by Aberdeen Standard Fund Managers Limited.

OBJECTIVES AND INVESTMENT POLICY

Investment Objective

To generate income and some growth over the long term (5 years or more) by investing in listed closed ended real estate investment trusts ('REITs') and equities (company shares) of companies engaged in real estate activities.

Performance Target: To achieve the return of the FTSE EPRA Nareit Developed (Hedged to GBP) Index + 2% per annum (before charges). The Performance Target is the level of performance that the management team hopes to achieve for the 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 fund based on the investment policy of the fund and the constituents of the index.

Economic overview

The US real estate investment trust (REIT) market underperformed both the global real estate market and broader equity markets in November and December. Easing trade tensions, along with accommodative monetary policies across the globe, removed fears of an economic slowdown and revived investor interest in cyclical growth assets towards the year end. Amid this shift in investor sentiment, defensive yield-oriented sectors, like REITs, underperformed. These same trends caused Canadian REITs to also lag the broader market averages towards the end of the year.

The UK listed property sector continued its run of strong performance, outperforming the other major developed markets. Politics remains the key driver, with the market reacting positively to the Conservative Party's comprehensive election victory, given that it creates conditions for progress on Brexit and forthcoming EU trade negotiations. Continental Europe also saw decent positive performance, performing in line with the broader European equity market. The strongest performance was in the Nordic region, where share price strength was broadly spread across the whole sector.

Performance of Asia-Pacific REITs was a mixed bag. REITs in the most rate sensitive markets, such as Japan and Australia, had negative share price performance. This was a result of rising yield expectations and profit-taking given strong performance year to date. Investors in Japanese REITs (J-REITs) may also be reducing their holdings in anticipation of a strong equity financing season early in 2020. Singapore REITs continued to outperform as investors expect yield cuts to continue into 2020, and Singapore REITs remain one of the few investment alternatives in the region.

Portfolio activity

In the US, we started a position in hotel operator Marriott, as the Fund increased its exposure to more economically sensitive elements of the REIT market. This followed indications that a trade deal was in hand and signs of better economic data after global central banks initiated more supportive monetary policies. We believe improving economic sentiment could lead to an increase in business travel, which should boost the revenue per available room outlook.

Performance

During the fourth quarter of 2019, the Fund returned -0.1% against the FTSE EPRA/NAREIT Developed TR in GB return of 0.7%. Over the year to 31 December 2019, the Fund returned 23.3%, against the index return of 21.4%.

Stock selection in Japan, particularly our exposure to J-REITs, was positive for performance. This was led by Invesco Office J-REIT. Our holding in Germany's Instone Real Estate Group also outperformed; as did an overweight position in the US infrastructure sector, thanks to a strong rally by American Tower as investors priced in the roll out of 5G spending by mobile carriers.

On the downside, an underweight position in UK large-cap REITs contributed negatively to performance. The sector outperformed the index by a wide margin, following the general election. An overweight position in US triple-net-lease REITs was also weaker over the quarter. These assets underperformed because of rising interest rates and a shift in market sentiment towards more cyclical segments of the market. An overweight allocation in the manufactured housing sector was also a negative contributor. The sector significantly underperformed in December despite being one of the top performing sectors during 2019.

Outlook

We maintain the Fund's focus on companies that are expected to benefit from strong real estate fundamentals and long-term trends. Developments that add value and stocks that benefit from rental growth should also outperform. While there are early signs of the global economic cycle picking up after the trade-induced slowdown in 2019, we expect growth to remain at moderate levels.

In the US, we are focused on sectors with good growth prospects, such as the industrial and digital infrastructure (data centres and cell tower) REIT sectors.

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Outlook (continued)

We are increasingly selective in Europe, with a focus on markets where we think rental growth is sustainable as the business cycle matures. We are overweight in value-add office specialists that are exposed to markets with positive fundamentals, such as Stockholm, Germany and Paris. We remain underweight in the UK given lacklustre fundamentals and increasingly stretched valuations.

In Hong Kong, we maintain an underweight position given concerns about sentiment-driven volatility in the residential market. The Fund is underweight in Japan, with a preference for office REITs on net-asset-value discounts. Finally, we are modestly overweight in Australia with a focus on the industrial, office and residential markets where fundamentals remain appealing.

Performance review

Positive contributors to performance included:

- Stock selection in Japan, particularly our exposure within the J-REIT space, led by Invesco Office J-REIT.
- Stock selection in Germany driven by strong outperformance by out of index Instone Real Estate Group.
- Overweight allocation and stock selection in the US Infrastrucutre sector thanks to a strong rally by American Tower as investors price in the roll out of 5G spending by mobile carriers.

Negative contributors to performance included:

- An underweight allocation to UK Large Cap REITs as the sector outperformed the index by a wide margin post the Parlimentary election.
- Overweight position in US Triple Net Lease REITs, which underperformed due to rising interest rates and a shift in market sentiment toward more cyclical growth segments of the market from defensinve income oriented sectors.
- Overweight allocation and stock selection in the Manufactured Housing sector, which significantly underperformed in December despite being one of the top performing sectors for the full year.

Fund positioning

Top 10 assets	Fund %
Prologis	4.6
Welltower	3.1
Equity Lifestyle	2.7
Simon Property Group	2.7
Realty Income	2.4
CK Asset Holdings	2.1
Duke Realty	2.0
Invitation Homes	2.0
CAPREIT	2.0
Digital Realty	1.9

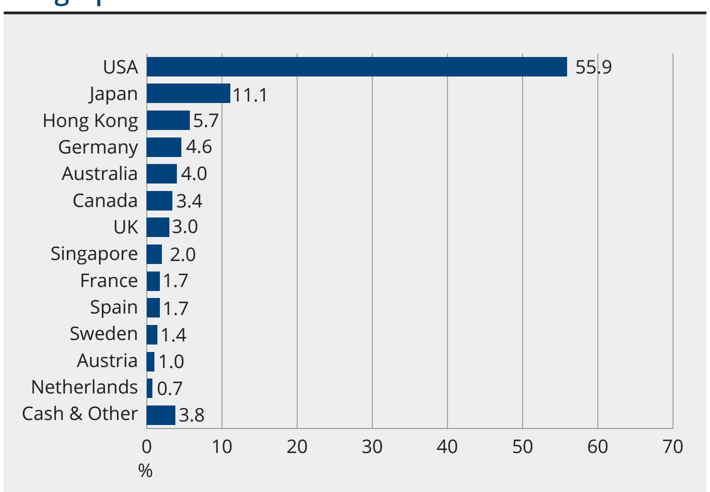
Source: Aberdeen Standard Investments, 31 December 2019

Fund facts

Fund size	£91.0m
Number of holdings	75

Source: Aberdeen Standard Investments, 31 December 2019

Geographical breakdown



Source: Aberdeen Standard Investments, 31 December 2019

Performance

	1 mth	3 mths	1 yr	3 yrs*	5 yrs*
Global Real Estate Share Fund	-1.3	-0.1	23.3	7.6	3.7
FTSE EPRA NAREIT Global Developed Index (Custom hedged GBP)	-0.2	0.7	21.4	7.7	5.8

Source: Aberdeen Standard Investments, 31 December 2019
Fund performance net of Platform 1 fees.
* Returns are annualised

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Risk profile

Investors should be aware of the following risk factors:

- (a) The fund invests in equities and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- (b) The fund may invest in emerging market equities and/or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- (c) The fund's investments are concentrated in the real estate sector. This may result in greater volatility and lower liquidity than portfolios which are more broadly diversified by type of company in which they invest.
- (d) Dividend payment policies of the REITs in which the fund invests are not representative of the dividend payment policy of the fund.
- (e) 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.

The fund employs a single swinging pricing methodology to protect against the dilution impact of transaction costs. A change in the pricing basis will result in movement in the fund's published price. All investment involves risk. This fund offers no guarantee against loss or that the fund's objective will be attained.

Past performance is not a guide to future returns and future returns are not guaranteed. The price of assets and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

Inflation reduces the buying power of your investment and income. The value of assets held in the fund may rise and fall as a result of exchange rate fluctuations.

The fund could lose money if an entity (counterparty) with which it does business becomes unwilling or unable to honour its obligations to the fund.

In extreme market conditions some securities may become hard to value or sell at a desired price. This could affect the fund's ability to meet redemptions in a timely manner.

The fund could lose money as the result of a failure or delay in operational processes and systems including but not limited to third party providers failing or going into administration.

Annual returns to 31 December 2019 (%)

	2019	2018	2017	2016	2015
Global Real Estate Share Fund	23.3	-5.2	6.6	-5.1	1.4
FTSE EPRA NAREIT Global Developed Index (Custom hedged GBP)	21.4	-3.5	6.5	3.1	2.8

Source: Aberdeen Standard Investments, 31 December 2019
Fund performance net of Platform 1 fees.

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Important information

This document is intended for use by individuals who are familiar with investment terminology. To help you understand this fund and for a full explanation of specific 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.

Aberdeen Standard Investments has not considered the suitability of investment against your individual needs and risk tolerance. If you are in any doubt as to whether this fund is suitable for you, you should seek advice. An advisor is likely to charge for advice. We are unable to provide investment advice.

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