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Past performance is not a guide to the future.

SLI UK Real Estate Fund

Quarterly Update - Q4 2020

The SLI UK Real Estate 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.

Standard Life Investments UK Real Estate Fund, a Sterling denominated sub fund of the Standard Life Investments UK Real Estate Funds ICVC. This fund is managed by Aberdeen Standard Fund Managers Limited.

SLI UK Real Estate Fund invests in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect when selling your investment. For more information on risks, see the prospectus and key investor information document.

OBJECTIVES AND INVESTMENT POLICY

Investment Objective

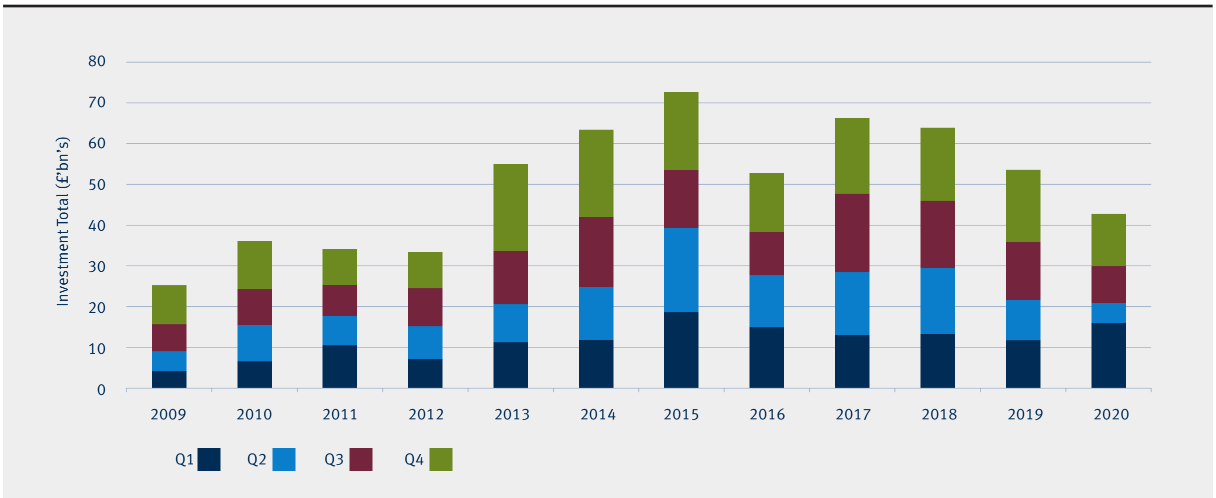
To generate income and some growth over the long term (5 years or more) by investing in UK commercial property. It is intended that the sub-fund will be a PAIF at all times and, as such, its investment objective is to carry on property investment business and to manage cash raised for investment in the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

Economic overview and property market

- After November's lockdown and the rapid tightening of restrictions in mid-December, we expect the UK economy to have contracted by 2-3% in the final quarter of 2020. A renewed lockdown to combat the highly transmissible new variant of Covid-19 is set to cause a further contraction in GDP in Q1 2021.
- Unfortunately, the rapid escalation of cases and hospitalisations since mid-December has necessitated another national lockdown akin to that of last spring, including school closures. Measures to combat the new variant – and evidence that other strains, such as that first detected in South Africa, may be even more infectious – are set to cause a further contraction in GDP in Q1 2021. With vaccines now being rolled out, it is a case of 'the darkest hour just before the dawn' and we continue to expect a strong rebound in the second half of the year as the vaccines start to deliver herd immunity.
- In mid-December, the furlough scheme was extended to the end of April, which gives greater time for business planning and decision-making around redundancies following the March budget. But it also means all the main business support measures are in place until at least the end of March, which should shield much of the economy from the effects of the renewed lockdown.
- Brexit negotiations went right to the wire but a chaotic no deal was averted. As we have previously flagged, ASI believes the very narrow deal agreed will be a drag on UK economic growth over the longer term.
- Trading for the consumer-facing retail, leisure and hospitality sectors remains challenging in the face of Covid-19 restrictions. The retail sector experienced a further blow in the final quarter of the year with both Debenhams and the Arcadia group entering into administration. More than 550 Debenhams and Arcadia fascia stores are set to close, removing the key anchor retailers from many towns.

Despite a noticeable pick up in investment volumes in the final quarter, 2020 marked the weakest year since 2012



Source: Property Data, January 2021

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- The Covid-19 impact on UK retail has not been homogenous across retail sub-sectors as illustrated by the resilience of supermarket trading. Kantar data showed that all UK supermarket groups benefitted from unprecedented Christmas demand in 2020. Take home grocery sales rose 11.4% year-on-year over the 12 weeks to December 27, despite higher online penetration than the previous year.
- With a sizeable increase in demand, 2020 broke all previous records for the UK logistics sector, with occupiers signing up to 50.1 m sq ft of new space. The sector has been a key beneficiary of shuttered shops and the marked acceleration in online retailing. Although Amazon was by far the largest single occupier, accounting for a quarter of all leased space during 2020, take-up would have still broken new records even if Amazon was removed from the numbers.
- Both the hierarchy and quantum of our new forecasts remain largely unchanged. We are forecasting further capital declines across discretionary retail in 2021, with greater declines in rental values. The renewed lockdown, which is likely to last for most of Q1, will put further pressure on retailers, leisure operators and hospitality providers, reinforcing that view.
- Conversely, industrials are set to be the best performing sector in 2021 for a fifth successive year on the back of continued strong sentiment towards the positive structural drivers of the occupier market. In our view, those drivers are strongest for logistics units in urban areas.
- In offices, the occupational fundamentals have weakened further; availability has increased notably without any meaningful impact on rents thus far. We do not believe that situation is sustainable and are forecasting rental declines in central London this year, with more modest declines in the main regional markets. We expect quality buildings in strong locations to hold up better through this adjustment period.
- At close to £12.8 billion, the fourth quarter saw a noticeable pick up in investment volumes when compared with the previous two quarters. Despite the occupational uncertainties, offices accounted for over 35% of total investment. Positive industrial sentiment resulted in the sector accounting for over 30% of total investment volumes in the final quarter of the year.

Investment outlook

- A renewed sense of optimism moving into 2021, with a no-deal Brexit averted, is likely to be tempered, at least initially, by the latest national lockdown as investors assess the potential damage to occupier markets. With liquidity likely to be impaired in the first quarter, 2021 looks set to be a year of two halves for the investment market. Provided vaccinations can be rolled out at sufficient scale in the first half of the year to materially supress the virus, we expect to see a recovery in activity in the second half 2021.
- Multiple lockdowns have reinforced existing structural changes and introduced new ones. While the investment market is rightly demanding ever higher risk premia for most discretionary retail, there are parts of the market where investors appear disinclined to price in any material structural change. Where there is greater liquidity and significant variation in views on the occupational impact of structural change is where the greatest opportunities may lie.
- Investment strategies will continue to favour sectors with more defensive characteristics. Fundamentally, we prefer investing in areas where the structural drivers of demand are positively impacted by or largely insulated from the ongoing pandemic, including logistics and supermarkets.

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AberdeenStandard Investments

Fund positioning

Top 10 holdings	Value range (£m)
Isis Reach, BELVEDERE	50m - 75m
Io Centre & Tradeway, SUTTON	50m - 75m
The Old Dairy, RUISLIP	50m - 75m
Masthead Industrial Estate, DARTFORD	25m - 50m
Leamington Shopping Park, LEAMINGTON SPA	25m - 50m
Monument Mall, NEWCASTLE UPON TYNE	25m - 50m
Saxon Way Trading Estate, HEATHROW	25m - 50m
Solar Park, BIRMINGHAM	25m - 50m
1 Marsden Street, MANCHESTER	25m - 50m
1 America Street, LONDON	25m - 50m

Source: Aberdeen Standard Investments, 31 December 2020.
Figures ex Cash.

Top 10 tenants	% Contracted Rent
Office Depot International	4.06
Tesco Stores Limited	3.34
ASDA Stores Ltd.	3.12
Weatherford U.K. Limited	2.87
T P Bennett LLP	2.63
UK Insurance Limited	2.54
The Prudential Assurance	2.27
Waitrose Limited	2.08
Covance Clinical&Periapproval	2.00
Technip UK Limited	1.87

Source: Aberdeen Standard Investments, 31 December 2020.

Fund facts

Fund size	£1,437.4m
Average lot size	£20.9m
Average lease length	6.2 years
Number of properties	55
Number of tenancies	424
Historic yield	3.14%*
Unencumbered Cash	19.36%^
Vacancy rate	9.38%

Source: Aberdeen Standard Investments, 31 December 2020.
*Yield at 31/12/20. Yields are historic based on the preceding 12 months' distributions as a percentage of the midmarket unit/share price at date shown. Yields will vary, do not include any preliminary charges, and investors may be subject to tax on distributions. Based on institutional income shareclass.
^ 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.

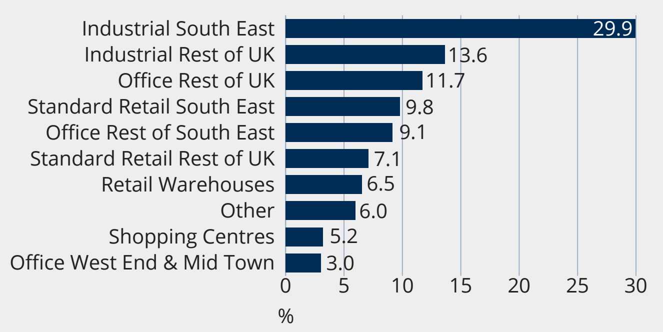
Lease expiry profile	% Contracted Rent
Less than 5 years	35.9
Between 5 and 10 years	40.8
Between 10 and 15 years	9.4
More than 15 years	13.9

Performance - % growth

	3 mths	6 mths	1 yr	3 yrs	5 yrs
SLI UK Real Estate Fund*	1.39	1.33	-3.71	-0.26	0.01
IA UK Direct Property**	-0.49	-0.89	-4.62	-1.13	0.15

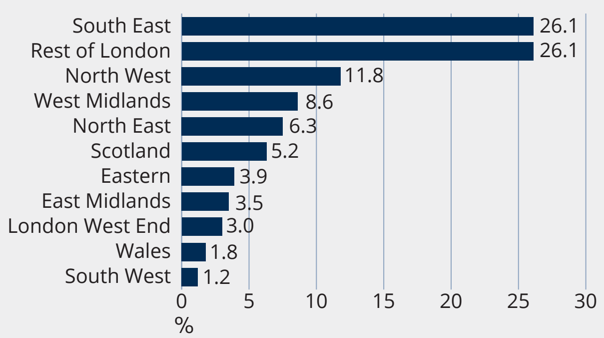
Source: Aberdeen Standard Investments, 31 December 2020.
*Platform 1 Acc share class performance from 21/03/2016. Retail share class used prior to 21/03/2016.
**Peer Group includes both master and feeder funds in the IA UK Direct Property Peer group
Returns over 1 year are annualised.

Sector allocation



Source: Aberdeen Standard Investments, 31 December 2020.
Figures ex Cash.

Geographical breakdown



Source: Aberdeen Standard Investments, 31 December 2020.
Figures ex Cash.

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Portfolio update

Transaction and Asset Management Activity

The Fund's Standing Independent Valuers removed the material valuation uncertainty clauses from all properties held by the Fund at the end of September and following consideration of a number of factors, including fund and market liquidity, the Fund lifted the temporary suspension and resumed dealing on 16th November 2020.

The Fund completed the sale of six assets during the quarter. In the retail sector, 66 London Rd, Sevenoaks (£15.8m) and 46 High St, Guildford (£0.6m); in the industrial sector, Brunel Park, Chippenham (£4.3m), WH Smith, Birmingham (£19.0m) and Victoria Plumb, Doncaster (£24.65m); and in the office sector, 82 Charing Cross Rd, London (£28.8m).

Focussing on income, successful asset management initiatives have been completed during the period.

In the industrial sector, at Masthead Industrial Estate, Dartford, the Fund completed a new letting to Tesla which has secured a 10 year term at an initial rent of £461,659 per annum (£11.00 psf). As part of the agreement, the tenant re-geared their existing lease at the estate, to also reflect a term of 10 years at an initial rent of £308,406 per annum (£11.00 psf). A lease renewal with Burnell Controls and Ustigate at Masthead, also securing an additional 10 years of term, at an initial rent of £113,851 per annum (£10.50 psf) also completed. At Magna Park, Lutterworth, the Fund renewed the lease with Kenwood De'Longhi to secure an additional 10 years of term at an initial rent of £1,090,000 per annum (£6.00 psf).

In the retail sector, at Bishop Auckland Retail Park, JD Sports have entered into a new lease of their existing premises, securing 5 years at a rent of £125,000 per annum and Superdrug have restructured their existing lease, removing a break option and securing 7 years of term certain with the tenant. At Bligh's Meadow, Sevenoaks, asset management activity includes a lease renewal with Holland and Barrett, securing an additional 5 years of term, at an initial rent of £62,500 per annum; a re-gear with Total Orthodontics, also providing an additional 5 years of term, at an initial rent of £28,622 per annum; a lease renewal with Leaders at the passing rent of £23,750 per annum and a rent review with Critical Project Resources, at a reviewed rent of £30,000 per annum (an uplift of 14.3%).

In the other commercial (leisure) sector, at Knights Park, Tunbridge Wells, a reversionary lease with Odeon has completed providing an unexpired term of 13 years at an initial rent of £650,000 per annum. The agreement includes a RPI indexed rent review in October 2028.

Performance review

The Fund is outperforming the IA UK Direct Property benchmark on a 3 month, 1 year and 3 year basis however marginal under-performance is recorded over 5 years.

The Fund outperformed the MSCI UK Daily Traded APUTs and PAIFs Quarterly Property Index (direct property benchmark) for Q3 2020 recording a total return of 0.39% against a benchmark of -0.07%. The Fund has outperformed this benchmark over 3 month, 1, 3 and 5 year periods. MSCI benchmark information for Q4 2020 has not yet been released.

The Fund's retail holdings continued to see the heaviest capital decline of all sectors, with the office and other commercial sectors also negative. The industrial sector saw positive capital growth, with the Fund's strategic weighting to the sector putting the Fund in overall positive territory over the quarter.

Forecasts and Outlook

Our forecasts remain largely unchanged for 2021 with further capital declines expected in consumer facing sectors, as investors shy away from risk assets where there is uncertainty over rent collection and tenant business resilience. We have revised our outlook for the office sector as we anticipate the majority of offices now to remain unoccupied with the UK back in the most stringent lockdown since March 2020.

We continue to focus on income and tenant engagement as businesses continue to adjust to the current environment. The over-arching Fund Strategy remains unchanged and we remain focused on reducing risk within the property portfolio, whilst also targeting an enhanced exposure to liquid assets. We will continually review and implement enhancements as appropriate to best protect the interests of our customers and investors as matters evolve.

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AberdeenStandard Investments

Risk profile

Investors should be aware of the following risk factors:

- (a) 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.
- (b) 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.
- (c) Property valuation is a matter of judgement by an independent valuer and is therefore a matter of the valuer's opinion rather than fact.
- (d) 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 2020 (%)

	2020	2019	2018	2017	2016
SLI UK Real Estate Fund	-3.71	-1.52	4.51	7.02	-5.77
IA UK Direct Property	-4.62	-1.11	3.03	7.48	-1.25

Source: Aberdeen Standard Investments, 31 December 2020
Fund returns net of Platform 1 Acc fees.

SLI UK Real Estate Fund

Quarterly Update - Q2 2020

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.

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

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