Aberdeen Standard Pan European Residential Property Fund

June 2020

Aberdeen Standard Investments

For professional investors only, in Switzerland for Qualified Investors only – not for use by retail investors or advisers.

A core fund investing in sustainable residential property across Western Europe

Investment objective and strategy

The Aberdeen Standard Pan European Residential Property Fund SICAV-RAIF (ASPER) is an open-ended, core fund designed for institutional investors which aims to deliver income and capital growth by investing in large, high quality, sustainably constructed, purpose built residential blocks in "triple A" locations (that provide Accessibility, Amenity and Affordability for the occupier).

ASPER pursues a strategy that has ESG principles at its core, and which is focused on achieving strong, defensive returns from the western European residential sector, with a multi-country approach that reduces risk through diversification. Residential property exhibits very strong demand/supply fundamentals, particularly in Europe's leading cities. In these 'winning cities' there is significant growth potential achievable via improved operational efficiency, and by tapping into increasing demand in the rental market. ASPER seeks to invest in new and modern stock, and pursues active management during holding periods in order to enhance performance in a controlled fashion, BUT does not engage in speculative property development. The fund has a long-term absolute return target, comprising a net cash dividend return of 3-4% per year, and a total return of 5-7% per year.

Fund commentary

ASPER is managed by a highly experienced team located across three European countries, and is led by Marc Pamin who is based in Frankfurt. The team can call upon the wider resources of Aberdeen Standard Investments, Europe's second largest real estate investment manager, which includes approximately 240 dedicated property investment professionals operating out of 11 offices across the continent.

Investors

We established ASPER at the end of March 2018 with first-close commitments of €355.5 million. As at the end of May 2020, total capital commitments stood at €819.2 million from 17 investors located in the Netherlands, Switzerland, Ireland, France, Italy, South Korea, Luxembourg and the UK. Since launching the fund, we have been effective and efficient in securing assets and allocating committed capital, and with a strong investment pipeline, believe that ASPER is well placed to continue to lead the pan-European residential market with further closes expected this year and beyond.

Transactions

In June 2018, ASPER made its first investment by acquiring a high quality core asset in Vienna's 3rd district. A month later, three further high quality properties were signed in the South Harbour of Copenhagen, 10th district of Vienna, and in Suresnes, Paris. In September, these acquisitions were followed by a portfolio transaction in the Helsinki Metropolitan area, and in late 2018 ASPER's first UK asset (in Birmingham) was acquired. During the first few months of 2019 a second asset in Copenhagen was contracted, as well as two new assets in Paris (Chatillon and Rueil Malmaison). In July 2019, a portfolio of three Swedish properties was contracted. In April 2020 a property in east London was acquired, with a third asset for the fund in Vienna being signed in May bringing ASPER's properties to 29. The fund currently has nine assets in exclusivity (Bruges, Marseille, Gothenburg, Nice, Toulouse, Leiden Madrid, Paris/Colombes), and three assets under negotiation (Dresden, Stockholm and Paris/Montreuil). In total, approximately 2,873 apartments have been secured with a lettable area of around 177,535 sqm. The market value of the properties in the current portfolio (assuming completion of the projects) was €909million with another €498.1 million in the pipeline.

Portfolio management

Local management expertise and resources are among our key strengths in Europe. Having native speakers on the ground, with local expertise and networks, is essential for maximising portfolio returns and optimising risk control. Throughout 2020 the ASPER team will be focused on maintaining high (close to 100%) occupancy rates; managing and further reducing tenant turnover; assuming responsibility for newly completed projects and commencing securing tenants for them; as well as further improving the overall ESG credentials of the portfolio.

Continued overleaf

Key information

Legal structure	SICAV-RAIF
Domicile	Luxembourg
Risk style	Core
Launch	29 March 2018
Term	Open-ended, infinite
Investors	17 institutional investors
Geographic universe	Western Europe
Sector universe	Residential real estate
Target size (GAV)	EUR >1.5 billion
Current size (GAV)	EUR 646.55 million (31/03/20)
Current size (NAV)	EUR 516.9 million (31/03/20)
Minimum commitment	EUR 3 million
Current total commitments	EUR 819.2 million
Current investor queue	EUR 311.4 million; 2-4 quarters
Target return	Income return: 3-4% p.a. Total return: 5-7% p.a.
Currency	EUR
Leverage	Maximum LTV of 40% of GAV; Current LTV of 19.3% of GAV (31/03/20); Long-term LTV of 25% of GAV
Liquidity	Quarterly (3 year lock in with a max. 2 years for repayment)
NAV reporting frequency	Quarterly
External asset valuation	Quarterly. Valuation advisors rotated every 3 years

Annual management fee

Tranched fund management fee structure:

90bps on NAV for committed capital ≤ EUR 25m (tiered)
80bps on NAV for committed capital EUR 25-50m (tiered)
70bps on NAV for committed capital EUR 50-75m (tiered)
75bps on NAV for committed capital EUR 75-100m (flat)
70bps on NAV for committed capital EUR 100-150m (flat)
65bps on NAV for committed capital EUR 150-250m (flat)
57.5bps on NAV for committed capital ≥ EUR 250 (flat)

All figures (unless otherwise indicated) are as at 31 May 2020.

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

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Market outlook commentary

The ongoing Covid-19 pandemic is having a significant impact on the European economy and on the real estate market in general. We believe private rented residential should display some resilience in the context of current market conditions. There are short-term risks that cash flows will in part be damaged by higher unemployment and potentially by rent holidays, but tracking of our European residential assets shows that outstanding rents are broadly at the same level as at the beginning of the year with limited impact from the crisis so far.

Although cyclical drivers of real estate performance are weaker and more uncertain compared to the beginning of the years, we are of the view that the longer term fundamental drivers behind residential real estate performance remain intact. Major cities in Europe continue to grow its population, and the projected supply and demand balance for years ahead suggests rental growth above inflation for many European residential markets, though at a somewhat slower pace than expected before the pandemic outbreak. This resilience is recognized by investors in general, and we see transaction market for good quality residential assets in Europe is holding up relatively well over the last few months, both in terms of activity and pricing.

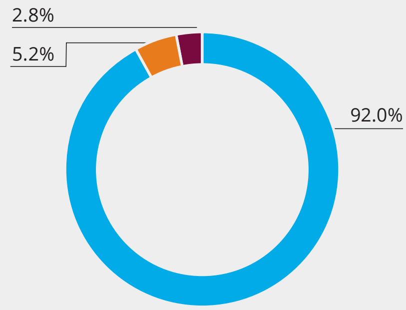
Affordable living is high on the agenda of politicians across Europe, and we have seen various initiatives to facilitate more affordable rents through rental regulation. Generally speaking, residential rent regulation is not all bad for long-term oriented institutional investors, as it can help to define legal liabilities better, providing greater certainty which can lead to stable tenures and therefore steady cash flows. However, sudden changes to the legislation may create volatility and short-term value losses, and we continue to follow any discussions on rent regulation in Europe closely.

We continue to focus on newer, modern, and flexible assets in central locations. We monitor development levels, which have picked up in some markets, as higher levels of completions may have short-term effects on turnover, void rates and rental levels. Some of Europe's major cities saw a new supply of housing in 2018 that more or less matched the demand growth, but this only happened after a decade or so of undersupply. It should be noted that a lot of the new stock delivered has been in the more upmarket owner-occupier housing segment, rather than in the affordable units for rental space. We also expect the peak in this housing development activity to moderate.

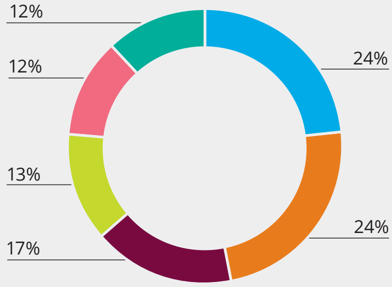
Investor sentiment for residential remains strong, and the relative attractiveness of this sector over more cyclical ones is even strengthened in light of Covid-19. Over the next three and five years, according to our latest House View, the residential sector in Europe will offer the highest Estimated Rental Value growth and total return. We forecast a total return of 5.0% p.a. over the next five years for the sector in aggregate, but strongly believe that performance will differ significantly from market to market and from asset to asset. As initial yields are at a relatively low level, the ability to manage the assets in a cost efficient manner is crucial in order to support a strong net cash flow to investors.

"The longer term fundamental drivers behind residential real estate performance remain intact."

Sector allocation (assuming completion of projects)



Geographic allocation (assuming completion of projects)



Figures may not always sum to 100% due to rounding.

All figures (unless otherwise indicated) are as at 31 May 2020.

Investment universe

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