

Q2 2020

# Standard Life Global Real Estate Fund

**Aberdeen Standard**  
Investments

## Activity

Following the gating of the Fund on 18 March, we have not pursued any further acquisitions. We have preferred to maintain a higher-than-normal degree of liquidity as we remain uncertain as to how investors will react once the Fund reopens. Instead, we are in the process of 'preparing' assets, which we believe could pose a performance risk.

The Fund's listed real estate weighting increased from 17% to 19% over the quarter, through positive valuation movements. We sold shopping centre owners Klepierre and Simon Property. And we increased the infrastructure and industrial exposure by initiating positions in ESR Cayman, Segro and SBE Communications.

To date, the Fund has collected 78% of the rent due in the second quarter, with a further 8% deferred by consent. The remaining 14% is predominantly accounted for by the Fund's three central and eastern European holdings. We expect to make progress on this current rate of recovery throughout the third quarter.

At the quarter-end, the Fund agreed to write off around 1% of the 2020 rent roll but this figure is likely to increase to between 2% and 2.5% in the short term. Where we have offered financial assistance, we have generally been successful in extending leases, in some instances by a number of years.

## Outlook

Our view is that there is unlikely to be a 'V'-shaped recovery and we anticipate a slowdown in the pace of economic growth during the second half of the year. Our real estate forecast views reflect this trajectory and we anticipate real estate prices will continue to fall as the year progresses, before settling at a new lower equilibrium position.

The real estate market remains polarised between the sectors where income and pricing have been relatively resilient (industrials, residential,

communications and data, self-storage, and lab offices) and consumer-facing sectors (retail, leisure, hotels and student accommodation) where there has been an acceleration in recent long-term trends. This has led to less demand, higher vacancies, more administrations, falling rents and weaker pricing in these sectors. In the current and forecast low-yielding environment, we expect real estate with dependable and secure income characteristics will continue to be in demand as a result of its high yield. We remain risk averse given the heightened uncertainty at present.

## Strategy

The Fund's strategy is focused on managing the existing direct portfolio, ensuring that rent collection is maximised and tenants are supported where necessary. We will also maintain the current double-digit cash weighting in order to deal with any withdrawals when the Fund reopens. There is also a fairly high likelihood that cash will outperform direct and listed property in the short term.

We expect that the listed markets will continue to be volatile in the short term and we don't expect to materially add to the current listed position.

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## Cumulative and Annualised Performance as at 30/06/2020

|                                  | 3 Months (%) | 1 Year (%) | 3 Years p.a. (%) | 5 Years p.a. (%) |
|----------------------------------|--------------|------------|------------------|------------------|
| Standard Life Global Real Estate | 1.7          | 3.0        | 2.7              | N/A              |

## Discrete annual performance - year to 30/06

|                                  | 2020 (%) | 2019 (%) | 2018 (%) | 2017 (%) | 2016 (%) |
|----------------------------------|----------|----------|----------|----------|----------|
| Standard Life Global Real Estate | 3.0      | 4.3      | 1.0      | N/A      | N/A      |

Fund performance has been calculated net of Annual Management Charge.  
Source: Aberdeen Standard Investments (Fund).

**Past performance is not a guide to future results. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. This investment may be affected by changes in currency exchange rates.**

## Performance

Across the direct portfolio, most of the assets experienced valuation write-downs from their pre-Covid-19 peak in February. Generally, the industrial portfolio was resilient. The two Sydney industrial assets fell less than 1%, the Melbourne asset was down by around 7% because of a short unexpired lease term, and the Dutch asset fell by around 2%.

The office portfolio experienced varying degrees of resilience. The Customs House Plaza in Dublin, and the assets in Barcelona and Melbourne declined by less than 1%. But at the other end of spectrum, Fleming Court in Dublin fell by around 10%.

In retail, the Polish shopping centre declined in value by 8% and the two Czech retail warehouse assets fell by 3% and 4%. As would be expected, the German hotel asset was the most affected, falling by around 11%.

The Fund's listed portfolio continues to outperform the index over various time frames.

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## Important information

**Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. Past performance is not a guide to future results. This investment may be affected by changes in currency exchange rates.**

### **Risk factors you should consider before investing:**

- The value of an investment can fall as well as rise and is not guaranteed. An investor may get back less than they put in. Past Performance is not a guide to future performance.
- 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 invests 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.
- The fund invests in equity 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.
- Commercial property is less liquid than other asset classes such as bonds or equities. Selling property can be a lengthy process so investors in the fund should be aware that they may not be able to sell their investment when they want to.
- Commercial property transaction charges are higher than those which apply in other asset classes. Investors should be aware that a high volume of transactions would have a material impact on fund returns.
- Property valuation is a matter of judgment by an independent valuer and is therefore a matter of the valuer's opinion rather than fact.
- Dividend payment policies of the REITs in which the fund invests are not representative of the dividend payment policy of the fund.
- The fund employs a single swinging pricing methodology to protect against the dilution impact of transaction costs. Due to the high transaction charges associated with the fund's assets, a change in the pricing basis will result in a significant movement in the fund's published price.
- 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.

The information contained in this marketing document should not be considered as an offer, investment recommendation or solicitation, to deal in the shares of any securities or financial instruments. It is not intended for distribution or use by any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited. No information, opinions or data in this document constitute investment, legal, tax or other advice and are not to be relied upon in making an investment or other decision.

Standard Life Global Real Estate is a Unit Linked Insured fund. The fund invests in the Aberdeen Standard Investments Global Real Estate Fund.

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