The Global 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.

Economic Overview

- Central banks are putting policy tightening on hold, policymakers in China are adding to their stimulus efforts and political risks are becoming less acute. All this is likely to provide some support for global economic growth into 2020. However, the expected pick-up in growth over coming months is unlikely to be as powerful as in 2016/17, because policy stimulus will be more muted and there is less spare capacity to be absorbed.
- Our long-term pricing indicator continues to indicate that global capital values are ahead of our estimate of long-term worth. This would be expected at such a late stage of the global real estate cycle. Core assets in Asia-Pacific look to be the most overpriced globally, particularly in the Japanese market. Several European and US segments remain closest to our estimates of long-term value.
- Although pricing is ahead of our estimate of long-term worth, we anticipate that values will remain firm. The real estate asset class should continue to record a reasonable return, mainly a result of the income component, over the next few years.
- Europe remains our favoured region. It is less over-priced than some other regions, and our forecast projections are also strongest for this area. In line with last quarter, we expect the best opportunities for locating value and reasonable medium term returns will be in the industrial, residential and alternative sectors.

Real Estate Market

North America

- For US real estate, the retail sector remains under significant pressure. Store closures and sentiment towards the sector remain very pessimistic. On the other hand, expansion in the e-commerce industry continues to lead to heightened demand for warehouses and distribution facilities. The industrial sector has maintained its strong fundamentals. Demand continued to outstrip supply in 2018 and vacancy rates fell to a historic low of 4.3% in the fourth quarter of 2018. The office sector continues to see moderating growth as 2019 plays out, and there is a deceleration of office jobs growth. Tenants from the STEM industries (science, technology, engineering and maths), along with flexible space providers, continue to be key sources of demand for office space. In the apartment sector there has been no slowdown in the delivery of new assets, but demand remains strong. With changes in lifestyle, such as people getting married and having children later, demand remains on a solid footing. There is more of a propensity to rent, more desire for mobility and housing affordability has become more stretched. However, the home ownership rate still continues to edge up, and this is likely to put downward pressure on the rental market. Broadly, occupier demand remains robust across most sectors as a result of the positive economic fundamentals. Furthermore, future supply remains well below previous cycles, although it is picking up in the office and apartment sectors.

Continental Europe

- Weaker economic output will act as a dampener for all sectors, although we still see the largest differentiation in leasing conditions coming from structural changes in the demand base for some sectors. In office markets, leasing tension remains positive in almost all major markets as momentum holds up well. Take-up remains close to the record highs set this cycle, totalling more than 10 million square metres on an annualised basis. This has pushed the vacancy rate down to 7% – a new record. Vacancies are now negligible in some submarkets, such as the central business district (CBD) in Paris (1.7%), Amsterdam Zuid (2%), Munich and Berlin (both 2.1%). This is sustaining competition for space among tenants and squeezing demand into secondary locations, either as a result of price pressures given high rents or because of a lack of options. The rise of flexible office operators is also eroding headline levels of supply. Office construction activity is modest and has not accelerated further in 2019, with the exception of Helsinki. However, in certain submarkets where rents are high enough to make projects profitable and where planning is in place, developers are pushing ahead. Solid market conditions have driven strong rental growth in most markets. Rents increased by 4.1% across Europe last year, with Berlin (10.4%), Milan (8%), Stockholm (7.4%), Barcelona (7.3%) and La Défense (7.3%) the best performers. For held office assets, there is a considerable level of reversion possible as leases roll over in the coming years. The negative impact of e-commerce on in-store sales dominates the retail market story. Consumer spending and retail sales growth also remain weak, which is compounding the pressures on retailers from the diversion of sales to online platforms. Real consumer spending growth in the Eurozone was 1% in 2018, the lowest rate of growth for four years, with France and Germany slowing notably faster than the average. Prime high street rents in Europe have increased by 1.8% over the last 12 months. But the more recent quarterly trend has indicated a stabilisation.

High street rents were flat in most markets, including Paris, Munich, Milan and Stockholm; only Barcelona, Madrid and Prague experienced an increase. Excluding the UK, shopping centre rents in Europe also fell by roughly 1.6% in 2018 in real terms.

Asia-Pacific

- The extended trend of positive net inflows of investment capital is expected to continue, as North American and European investors continue to diversify into the fast-maturing Asia-Pacific region. The low interest rate environment globally has assisted in the strong demand of income-producing assets in the mature markets of Asia-Pacific. That said, it is challenging for investors to find these assets at attractive prices and greater interest is being shown in income-producing secondary assets, or higher risk investment strategies. Against a background of a turn in the interest rate cycle and slowing economic growth, we believe some core property sectors are vulnerable to a correction over the medium term, where prices appear very stretched relative to fundamentals. However, we do see opportunities across the region in non-prime and non-traditional assets. We believe that assets backed by structural growth drivers – such as logistics, multi-family, and other living sectors, such as nursing homes and student accommodation – may present good value. That said many investors are trying to enter what are relatively small markets.

Fund Positioning

Top 10 direct assets	Fund %
432 St Kilda Rd, Melbourne	8.5
3 & 5 Custom House Plaza, Dublin	8.1
44 Esplanade, Jersey	7.9
WTC Almeda Park Building 4, Barcelona	7.9
DC Goossens, Veghel, The Netherlands	7.7
Galeria Gniezno, Poland	7.0
Fleming Court, Dublin	5.1
Retail Park Hana, Kafkova	4.3
ExtraVerde, The Hague, Prinses Catharina Amaliastraat 10,The Hague	3.4
Nishi-Shinbashi Tokyo	3.3

Source: Aberdeen Standard Investments, 31 March 2019

Top 10 tenants (Direct only)	% Contracted Rent
Ogier	11.3
Goossens	8.5
Revlon	6.6
Citco	4.3
Dutch Heart Foundation	4.2
Mainfreight Logistics Pty Ltd	2.7
Coil Steels Group Pty Ltd	2.5
Maxol Ltd	2.3
Bruel & Kjaer EMS Pty Ltd	1.9
Castorama	1.8

Source: Aberdeen Standard Investments, 31 March 2019

Fund Facts	
Fund size	£404.7m
Average lot size	£20.6m
Average lease length	4.1 years*
Number of properties	14
Number of tenancies	148
Distribution yield	1.76%**
Standing Void	1.48%

Source: Aberdeen Standard Investments, 31 March 2019
*Average Unexpired lease term (to first break) – Yrs
**Yields are historic based on the preceding 12 months' distributions as a percentage of the mid market 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.

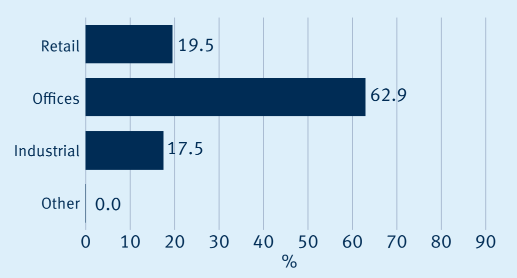
Top 5 listed holdings	Fund %
Duke Realty Corp	1.4
Prologis Inc Reit	1.4
Amer Tower Corp	1.2
Simon Prop Group Com	1.1
Hilton Worldwide Holdings	1.0

Performance – % growth

	3mths	6mths	1 yr	3 yrs*	5 yrs*
Global Real Estate Fund	2.3	2.4	6.0	6.0	6.3

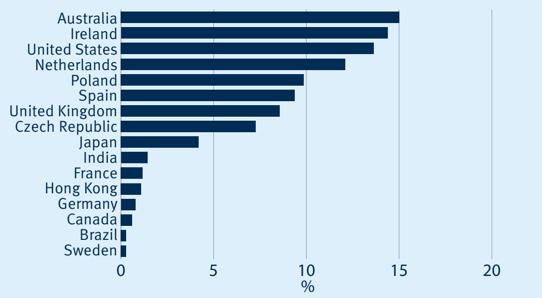
Source: Aberdeen Standard Investments, 31 March 2019
Fund performance is quoted net of institutional fees (GBP).
*Returns are annualised

Sector allocation



Source: Aberdeen Standard Investments, 31 March 2019

Geographical breakdown



Source: Aberdeen Standard Investments, 31 March 2019
* IPD classify the Channel Islands as part of the UK for benchmarking pruposes, this is the reason the asset in Jersey falls under the UK.

Portfolio Update

It was decided not to continue with the Brisbane purchase referenced in Q4 reporting due to concerns which came to light with the covenant strength of the main tenant. Further Australian logistics opportunities are currently being considered.

The agreement to reinvest into the Sao Paulo office sector with Wise Capital was signed during February and we are now in the process of putting the appropriate infrastructure in place and actively considering investment opportunities.

At the Polish shopping centre in Gneizno we are in the process of planning for Castorama's likely departure in the middle of 2019. This is likely to take the form of splitting their unit into 3 or 4 smaller units and our retained leasing agent is speaking to a number of fashion orientated tenants.

In Barcelona, we have tentatively agreed terms with the Fund's third largest tenant, Revlon. If ratified the new deal would represent an uplift on the passing rent and the valuer's ERV. The deal is currently with the US parent to be ratified.

In Tokyo, rental terms have been agreed to lease the 2nd floor at a rent 13.6% ahead of the existing ERV. The tenant will be taking occupation of the building just a couple of weeks after the previous tenant vacated thus providing continuity of income.

During the quarter terms have been agreed to extend St Barbara's lease (2nd largest tenant in the Fund's Melbourne office building) for a term of 5 years at an increased rent. The ground floor café operator will leave at the end of Q2 and replacement tenant is being sought.

On the listed side the Fund has made a number of changes to the portfolio including (1) reducing exposure to Berlin focused residential name Deutsche Wohnen due to populist rhetoric around privatisation, proceeds have been reinvested into the more geographically diverse German residential stock, Vonovia. (2) adding CA Immobilien & Alstria Office which provides exposure to 2nd tier German office markets which are considered to still have the potential to deliver rental growth/yield compression. (3) taking profits from American Tower & ProLogis and adding to Equity Lifestyle Properties (considered to be a defensive name) and Boston Properties who have a development pipeline coming on stream which provides a potential upside catalyst.

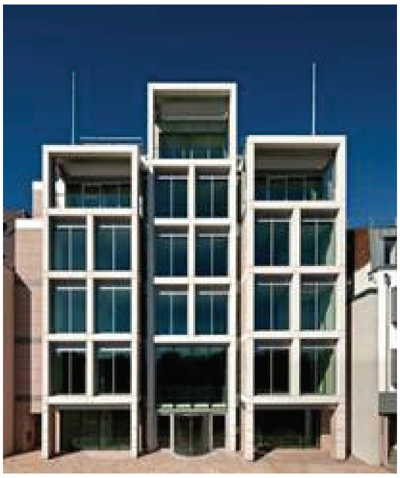
On the indirect side the Fund received a small distribution from the Cornerstone Nordic Fund following the sale of the final asset, a further distribution is expected in Q3 once the Fund structure has been liquidated. The Manager of the Pradera Central & Eastern Fund continues to try to dispose of the remaining three assets. During the quarter the Manager of the Saffron Fund signed a sale & purchase agreement to exit the final asset with the joint venture owner.

Performance Overview

During the fourth quarter, the Fund returned 0.1% versus the reference benchmark return of 1.1%. The main factor which led to this divergence was the weakening of Sterling versus the basket of currencies in which the direct assets are held. Whilst the Fund's reference benchmark is unhedged and therefore benefitted from Sterling's weakening the direct assets in the Fund are hedged back to Sterling meaning that the Fund didn't receive the corresponding benefit. This position has reversed since the turn of the year with Sterling making gains against the Euro, Australian Dollar, Japanese Yen etc. and we would expect the currency hedges to be accretive to performance in Q1 2019. During Q1 the Fund returned 2.3% due to a combination of listed markets rallying and the continued underlying strength of the direct portfolio.

Property in Focus

44 Esplanade, Jersey



- Building is fully let to financial services firm Intertrust.
- Annual rental income of £2.2m, tenancy represents the Fund's largest income exposure.
- Tenant's 2021 break option removed providing a term certain until November 2025.
- Both the tenant's November 2018 & 2021 rent reviews have been pre agreed at an increased rent.
- The lease regear is expected to be accretive to value.
- The removal of the 2021 break option secures an additional circa £9m income stream for the Fund.

Forecasts and Outlook

- In 2019 we are likely to make asset disposals within the Dublin office and Central European retail portfolio.
- Near term asset management priorities include de-risking the Revlon lease expiry at Barcelona, finalising a strategy for the area that Castorama will vacate at Gneizno and securing a replacement for the café operator in Melbourne.
- We will continue our efforts to come out of the CIS but are largely beholden on the underlying Manager's ability to dispose of the underlying assets.

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 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.

(e) Dividend payment policies of the REITs in which the fund invests are not representative of the dividend payment policy of the fund.

(f) 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.

(g) 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. 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.

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 March 2019 (%)

	2019	2018	2017	2016	2015
Global Real Estate Fund	6.0	1.9	10.4	5.9	7.7

Source: Aberdeen Standard Investments, 31 March 2019
Fund performance is quoted net of institutional fees (GBP).

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.aberdeenstandardinvestments.com.

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