

December 2020

# Aberdeen Indirect Property Partners

## Extract from Quarterly Report Q4 2020

This extract from Aberdeen Indirect Property Partners' (AIPP) quarterly report for the fourth quarter 2020, is compiled for Nordea Bank Abp, as an investor in AIPP.

### Property market outlook

Despite several highly contagious new variants of coronavirus and increased lockdown restrictions in many major economies, unified democratic control of the US presidency and congress implies further large-scale stimulus, which will boost growth. Taking account of both developments, the Aberdeen Standard Investments Research Institute (ASIRI) has reduced its 2021 economic growth forecasts down almost everywhere. In the US, the forecasts for 2021 have been revised up as have the global forecasts for 2022.

The vaccine rollout is now underway. However, the early pace of rollout has fallen short of government promises in most economies. Take-up willingness is worryingly low in much of continental Europe; while emerging markets other than China, Russia and India are yet to secure meaningful quantities of vaccine. The US, UK and Israel are exceptions, where the initial rollout has been rapid, although still plagued by hurdles. We still expect vaccines to allow a meaningful easing in restrictions.

Although energy base effects will push inflation higher in the short-term, these will be short-lived. The global economy has enormous spare capacity, which will take time to erode. Inflation expectations are low and anchored and central banks have plenty of room to contain inflation if needed. The upshot is that both the short- and long-term implications of this crisis are likely to be net disinflationary.

Prices have started to correct on a global basis, particularly in the parts of the market that have been most affected by the impact of COVID-19. Our forecasts anticipate the decline in values playing out further over the next six months. We expect prices to recover thereafter as the occupier and investment markets revive, and as lockdown measures are eased in line with more of the population being vaccinated.

Going into this crisis, the fundamentals supporting real estate were relatively sound. Generally, there was an absence of oversupply and vacancy rates were at modest levels in most markets. Currently, there is also a large amount of uninvested capital waiting to be deployed into the asset class because of the attractive yield margin. All of these factors should help accelerate the anticipated market recovery further into 2021, assuming the COVID-19 crisis stabilises. There are likely to be opportunities for well-capitalised investors to pick up attractively priced assets further on into the correction.

We continue to prefer sectors of the market that are benefiting from long-term structural trends: ageing demographics, changes in technology, a focus on sustainability and changes in the way we are shopping and living. Sectors that continue to benefit from these trends include industrials, residential, and selective assets that are categorised as alternatives. These sectors remain more resilient than the parts of the market that are vulnerable to the secular changes. In our view, retail remains particularly exposed to the changes, with the current crisis accentuating structural transformation in the sector.

We note that the tailwinds from the recent widespread vaccine roll-out allowing progressive easing of lockdowns and additional large scale US stimulus have led to an upgrading of our economic growth projections and real estate total return expectations in our updated forecasts.

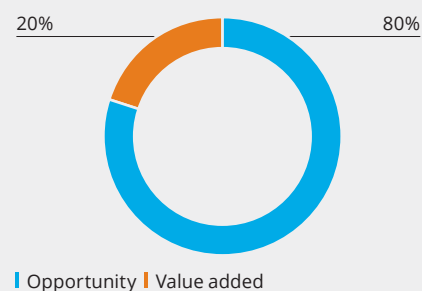
### AIPP overview

The Fund recorded a negative return over the quarter as a result of the discount agreed for the sale of the residual portfolio. The since inception IRR is -1.0% with an equity multiple of 0.9x.

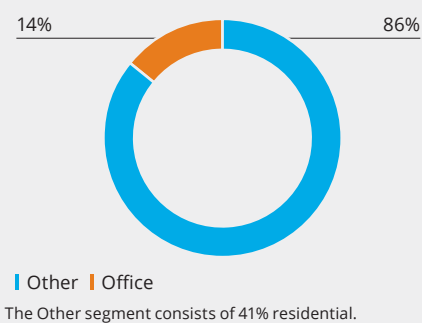
NAV as of 31 December 2020

NAV per unit in AIPP, as at 31 December 2020, was EUR 0.09.

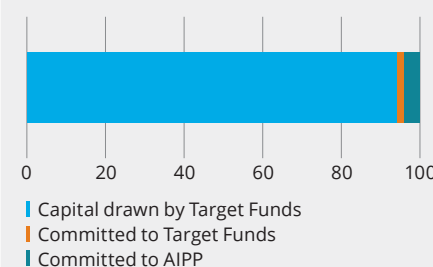
Style exposure (% NAV)



Sector exposure (% NAV)



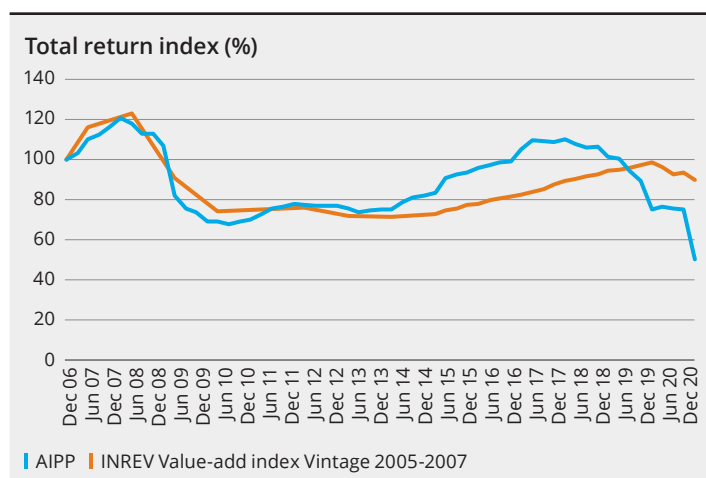
Aberdeen Indirect Property Partners  
(EUR 574.4 million in commitments)



Geographical exposure (% NAV)

| Country | Percent |
|---------|---------|
| UK      | 84      |
| Finland | 14      |
| Sweden  | 2       |

|  |              |             |
|--|--------------|-------------|
| Total committed to target funds (EUR) <sup>2</sup> : |              | 565,223,095 |
| Total invested in target funds (EUR) <sup>2</sup> :  |              | 544,376,334 |
| AIPP IRR to date <sup>3</sup> :                      |              | -1.0%       |
| Number of funds:                                     |              | 5           |
| Number of managers:                                  |              | 5           |
| Look-through LTV                                     |              | 0.0%        |
| Development exposure <sup>4</sup> :                  |              | 10.0%       |
| Number of strategies:                                | Core:        | 0           |
|  | Value added: | 3           |
|  | Opportunity: | 2           |
| Number of countries:                                 |              | 3           |
| Number of properties                                 |              | 5           |

<sup>2</sup> Gross including eighth disposed funds.<sup>3</sup> Net of management fees and expenses.<sup>4</sup> Aberdeen Standard Investments estimate, based on NAV exposed to development.

## Managers (% of committed)

|          |    |
|----------|----|
| Carlyle  | 26 |
| Frogmore | 21 |
| AXA REIM | 20 |
| Ofivalmo | 14 |
| Tristan  | 10 |

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Aberdeen Standard Investments is dedicated to helping investors around the world reach their desired investment goals and broaden their financial horizons.

We seek to provide world-class investment expertise across a breadth of markets and asset classes. Our full range of solutions span equities, multi-asset, fixed income, liquidity, sovereign wealth funds, real estate and private markets. Coupled with a wide range of investment approaches, we transform new investment ideas into practical investment products designed to deliver real value for money to investors.

With employees in more than 40 locations worldwide, our operations extend across global financial capitals and important regional centres. This brings us closer to our clients and customers around the world, and provides invaluable knowledge and insight to share with our people.

Today, we manage a total of £486.5bn (€574.2bn/\$644.5bn) of assets on behalf of governments, pension funds, insurers, companies, charities, foundations and individuals across 80 countries (as at 31 December 2019). As a responsible global investor, we leverage our scale and market position to raise standards in both the companies and industries in which we invest, and help drive best practice across the asset management industry.

As at the 31st of December.  
Source: Aberdeen Standard Investments  
[aberndeenstandard.com/en/who-we-are](https://aberndeenstandard.com/en/who-we-are)