abrdn Global Premier Properties Fund

Quarterly Commentary

Quarter ended October 31, 2022

Fund performance

The abrdn Global premier Properties Fund returned -20.88%[1] on a net asset value basis for the three-month period ending October 31, 2022, underperforming the -15.80% return of its benchmark, the FTSE EPRA/NAREIT Global Real Estate Net Index[2]. Overall stock selection and the negative impact of leverage weighed on Fund performance, while sector allocation had a positive impact.

Both stock selection and allocation to UK and Continental Europe hampered Fund performance for the quarter. Macroeconomic and geopolitical factors in Europe, including the war in Ukraine, economic slowdown, rising interest rates, and the strengthening dollar, all drove the underperformance in the UK and on the Continent.

The Fund's overweight positions in German homebuilder Instone and residential landlord Vonovia were among the largest detractors to performance over the quarter. Rising interest rates, higher materials costs, and economic weakness in Germany all led to the underperformance of Instone Real Estate Group's shares due to investors' concerns about near-to medium-term demand for home purchases in the country. Despite a favorable valuation, we have reduced our exposure to Instone as we think the near-term headwinds will continue to weigh on performance for the intermediate term. The movement in rates were also a drag on Vonovia, as the German residential sector has a very high negative correlation with changes in interest rates. Segro, the European industrial landlord, also underperformed in the period. Expectations of an economic slowdown reducing demand for space, along with assets trading at extremely low cap rates, led to the sell-off in Segro. While acknowledging these potential negative factors, the long-term outlook for the industrial sector remains attractive. Lastly, cell tower REIT American Tower and healthcare REIT Welltower dragged on performance in the U.S. American Tower underperformed due to an elevated level of variable rate debt versus other U.S. REITs, while concerns about the health of some tenants weighed on Welltower. We believe these issues are short term in nature and therefore have maintained our position for now.

Fund performance was bolstered mainly by the underweight allocation to China and Hong Kong, which underperformed the overall market for the reporting period. Continued geopolitical pressures, an economic slowdown, and curtailment of capital availability for real estate speculation drove the lagging performance for the Chinese market. We have long believed that these issues will pressure the market and, despite more attractive valuations, we remain cautious about its outlook in the near term. This view is what also drove the positive stock selection in the real estate developer sector, as Chinese and Hong Kong developers comprise a large portion of this segment. Allocation and stock selection in the U.S. hotel and U.S. healthcare sectors were also positive contributors to Fund performance in the period.

The Fund's overweight position in hotel REIT Host Hotels & Resorts was one of the largest contributors to performance in the quarter. We attribute the outperformance to the ability to pass through outsized rate increases, which led to better-than-expected revenue per available room and earnings growth along with an attractive relative valuation. Skilled nursing REIT Omega Healthcare, which had underperformed for much of last year, also outperformed meaningfully in the quarter as the company reported improving tenant health as occupancy recovered from

[1] **Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Net asset value return data include investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.**

pandemic era lows, alleviating some of the concerns about the near-term sustainability of cash flows and the dividend. Lastly, Canadian Solar Infrastructure Fund, a holding we maintained last quarter despite the stock dropping sharply after the failure to complete a merger transaction, rebounded as the company was able to prove its long-term growth prospects remained strong, justifying our faith in the position.

Cumulative and annualised total return as of October 31, 2022 (%)

	NAV	Market Price	FTSE EPRA Nareit Global Net Index
Since inception (p.a.)	0.24	-0.48	n/a[2]
10 Years (p.a.)	3.13	3.07	2.61
5 Years (p.a.)	-1.50	-0.73	-1.12
3 Years (p.a.)	-8.89	-7.17	-7.31
1 Year	-32.35	-33.80	-25.36
Year to Date	-35.63	-37.29	-27.92
3 Months	-20.88	-23.94	-15.80
1 month	3.19	4.96	2.04

[2] There is no since inception figure for the FTSE EPRA/NAREIT Global Index Net because the inception date of the Index is March 23, 2009.

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The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

Market review

The global real estate securities market, as measured by the FTSE EPRA/NAREIT Global Real Estate Index, returned -15.80% for the reporting period, versus the -7.65% return of global equities, as measured by the MSCI All Country (AC) World Net Index.[4]

Performance in the quarter was mixed, with a sharp rally through late August on the back of investor hopes that the Federal Reserve (Fed) would slow the rate of interest rate hikes due to weaker economic data, but then sold off following the Jackson Hole conference where central bankers around the world reiterated their hawkish stance and emphasis that bringing down inflation outweighed any near-term economic slowdown.

While the U.S. REIT market dropped sharply in the quarter, it was able to outperform the global real estate index. The concerns about rising interest rates and the pressure that inflation is putting on consumer wallets has also increased concerns about the risk of a recession. The lone bright spot for U.S. markets has been the strength of the U.S. dollar, which has benefited from a stronger economic outlook than that found in Europe and China currently and a more aggressive central bank policy, which did help to drive some of the relative outperformance in the U.S. REIT market versus the global real estate benchmark. North of the border, Canadian REITs followed a similar pattern to the U.S. However, due to higher leverage levels in the market and greater rate sensitivity than exhibited in the U.S., the market underperformed both the U.S. and global real estate index.

Despite negative returns on an absolute basis for all subsectors in the U.S., there was once again a wide discrepancy in subsector performance in the quarter. Self storage was the top performing sector in the period thanks to continued signs of stronger-than-expected top line revenue growth thanks to record occupancy levels and strong continued demand due to limited new supply. After having underperformed significantly in the second quarter, the regional malls and lodging REITs rebounded in the third quarter as investors were drawn to single digit earnings multiples and attractive relative valuations. What is more, both sectors posted better-than-expected second quarter earnings results and claimed they were not yet seeing any negative impact from a weakening consumer. Data centers, with their high exposure to rising energy costs and questions about potential decreasing demand from several large cloud computing providers, were the worst performers in the period declining more than 16%. The healthcare and infrastructure sectors also posted mid-teen declines in the quarter.

The European listed real estate sector continued to perform very poorly, underperforming both the broader equity market and the global real estate index during the period. While European real estate stocks performed well in early August as bond yields declined slightly, earlier gains were erased when bond yields moved back up steeply.

UK stocks were the worst performers as the botched UK mini budget disrupted borrowing costs. The large majority of property equities are insulated in the near term against higher rates due to having long-term, typically fixed-rate or hedged borrowings but investor concerns over the future trajectory of borrowing costs, together with data showing that property values have started to decline (MSCI Monthly Index values were down 4%), further weighed on share prices.

[3] The FTSE EPRA/NAREIT Global Real Estate Index is a total return index that is designed to represent general trends in eligible real estate equities worldwide. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Index performance is not an indication of the performance of the Fund itself. For complete fund performance, please visit **abrdn.us**

[4] The MSCI AC World Index is an unmanaged index considered representative of stock markets of developed and emerging markets. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Index performance is not an indication of the performance of the Fund itself. For complete fund performance, please visit **abrdn.com**.

German residential prices also suffered heavily as financing costs increased. The slowdown in investment volumes is making it more difficult for German landlords to deliver on their large disposals programs, which puts more stress on their balance sheet. In that context, both TAG Immobilien and Vonovia were downgraded one notch by rating agencies, which now expect German residential prices to fall by 10% by the end of 2023.

Elsewhere on the continent, traditional sectors (office, retail, logistics) were relative outperformers, albeit with negative returns. The notable exceptions were a handful of Dutch stocks, which were penalized by the announcement that the Dutch REIT regime would be abolished from January 1, 2024. Swiss stocks continued to benefit from their defensive currency and balance sheet.

Asia-Pacific markets mostly traded lower over the three-month reporting period. The markets focused on the possibility of the return of inflation being more permanent than initially anticipated by most central banks, creating upward pressure on interest rates. This led many investors to reduce exposure to REITs in Japan and Singapore, both of which traded at lofty valuations. Geopolitical tensions, rapid changes in domestic politics, and an economic slowdown resulted in a continued selloff in China-related stocks, with real estate in the eye of the storm. This also dragged Hong Kong-listed real estate stocks down over the quarter.

Outlook

The rising interest-rate and inflationary conditions that have taken hold in 2022 present new challenges for global real estate portfolios. Indeed, with financing costs on the rise, we believe that investors may require a greater return on their investments, resulting in some outward movement in cap rates.[5] Nonetheless, underlying real estate fundamentals remain quite strong, and real estate historically has served as a good inflation hedge due to an ability to increase rents in conjunction with rising prices, given lower levels of new construction stemming from rising input costs. Consequently, we feel that net operating income[6] growth can mitigate some of this impact on asset prices thanks to the continued pricing power enjoyed by landlords. Accordingly, we are focusing on those sectors and companies where we see opportunity to increase rents both in the near term and with structural tailwinds that can support outsized growth into the future even if economic activity remains relatively weak, as we believe these factors will help to identify those companies best positioned to maintain and grow underlying asset values and increase dividends. We have increased the defensive positioning in the Fund over the last few months, favoring regions and sectors with more predictable cash-flow outlooks. We have reduced the Fund's exposure to rent-sensitive and/or economically sensitive segments of the market. Moreover, despite the Fund's weak recent performance, we think that listed real estate could see fewer downward earnings revisions than those in the broader equity markets over the next 12-18 months, providing some support for relative valuations.

Top 10 Holdings (%)

Prologis Inc	9.2
Public Storage	4.5
Realty Income Corp	4.0
AvalonBay Communities Inc	3.1
Welltower Inc	2.9
Equinix Inc	2.8
Mid-America Apartment Communities Inc	2.8
Equity LifeStyle Properties Inc	2.6
VICI Properties Inc	2.5
Host Hotels & Resorts Inc	2.4
Percent of Portfolio in Top Ten	36.7

Source : abrdn 10/31/2022.

Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown. The top ten holdings are reported by share class. Certain companies listed may be held in additional share classes not listed above.

Compositions are subject to change. The table summarizes the composition of the Fund's portfolio, expressed as a percentage of total assets.

Figures may not always sum to 100 due to rounding.

[5] A cap rate is the rate of return on a real estate investment property based on the income that the property is expected to generate.

[6] Net operating income is a commonly used figure to assess the profitability of a property. The calculation involves subtracting all operating expenses on the property from all the revenue generated from the property.

Important Information

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Under U.S. tax rules applicable to the Fund, the amount and character of distributable income for each fiscal year can be finally determined only as of the end of the Fund's fiscal year. The Fund anticipates that sources of distributions to shareholders may include net investment income, net realized short-term capital gains, net realized long-term capital gains and return of capital. The estimated composition of the distributions may vary from time to time because the estimated composition may be impacted by future income, expenses and realized gains and losses on securities. For more detailed information related to the composition of the Fund's distributions, see aberdeenAGD.com.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards, as well as political and economic risks. These risks are enhanced in emerging markets countries. Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

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